

THE
ORGANIZATION AND
MANAGEMENT OF A
BRANCH BANK

BY THE SAME AUTHOR AND
FROM THE SAME PUBLISHERS

**THE SECURITIES CLERK IN A,
BRANCH BANK**

A practical and up-to-date handbook for Securities Clerks, and all who are concerned with the handling of Securities in branch banks.

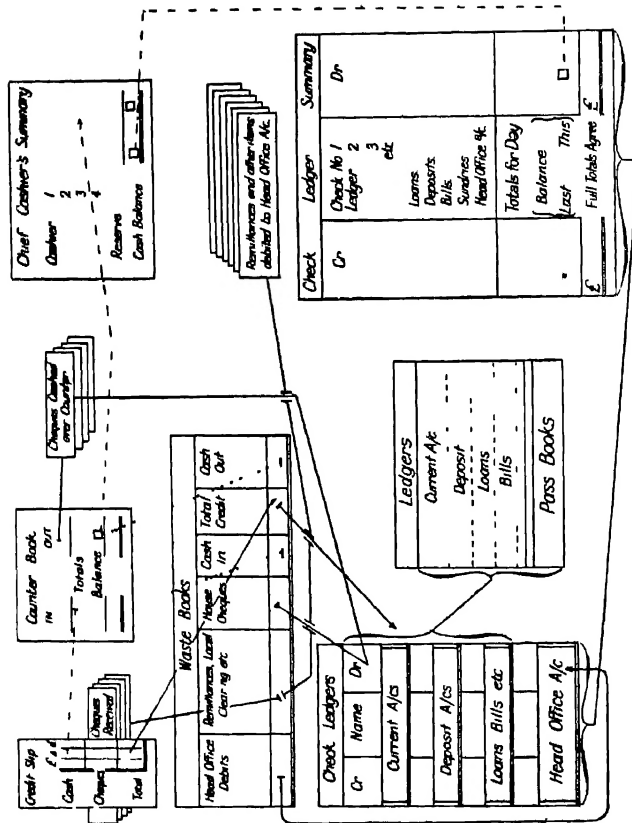
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ROUTING CHART

Frontispiece

THE ORGANIZATION AND MANAGEMENT OF A BRANCH BANK

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EDITOR OF "BRANCH BANKING"

Menenius Hear me one word, beseech you, tribunes,
 but one word "

Aediles 'Peace peace!'

Coriolanus Act iii, Scene i
 W SHAKESPEARE

LONDON
SIR ISAAC PITMAN & SONS, LTD.

1934

SECOND IMPRESSION

SIR ISAAC PITMAN & SONS, LTD
PARKER STREET KINGSWAY, LONDON, W C 2
THE PITMAN PRESS, BATH
THE RIALTO, COLLINS STREET MELBOURNE

ASSOCIATED COMPANIES
PITMAN PUBLISHING CORPORATION
2 WEST 45TH STREET, NEW YORK

SIR ISAAC PITMAN & SONS (CANADA), LTD
(INCORPORATED IN THE COMMERCIAL TEXT BOOK COMPANY)
381 383 CHURCH STREET, TORONTO

PRINTED IN GREAT BRITAIN
AT THE PITMAN PRESS, BATH

PREFACE

"'When did you begin?' said the King.

'Fourteenth of March, I think it was,' said the Hatter.

'Fifteenth,' said the March Hare.

'Sixteenth,' added the Dormouse."

"Alice in Wonderland." Chapter XI.

L. CARROLL.

THE writing of a Preface is often the most difficult part of the task of preparing a book for publication, for, whilst it is read (we hope) first by the reader, it is normally the last thing to be written by the author. It therefore tends in his mind to develop into something like an obituary notice or, at best, an *apologia*.

In the present instance all that need be done is to explain the limitations of the book so that readers will know what they need not expect to find. The book has been prepared on the basis that the average staff of a branch bank in England or Wales is round about six, including the manager. This figure has been arrived at after careful inquiry and, although there cannot be much solid proof of its accuracy, the author's experience leads him to believe that it is not far out.

The man in such a branch does not therefore require a treatise which will equip him to organize or manage an office with a staff of several hundreds, and the endeavour has thus been to keep the subject on the ground as far as possible, *and to provide a basic system upon which a branch official can build his own system to fit in with the regulations of his bank and the requirements of his own branch. It is not intended that everything in this book can be applied universally regardless of the many and varying conditions in which branch bankers have to carry on business.*

It has always seemed to the author a pity that the Institute of Bankers does not include in its syllabus the subject of "Bank Book-keeping and Accounts," for it does appear that the younger bankmen of to-day are not afforded the same opportunity to acquire a bird's-eye view of their business as were their seniors.

There is a further point which has been ever-present in the author's mind. There is a great tendency to-day to think that the introduction of machines has materially altered the internal book-keeping systems of the banks. With this he cannot agree. Systems remain very much what they were, and mechanization is by no means a settled matter yet. In such circumstances the author has eliminated all technical descriptions of machine-working, and confined himself to description of a basic system itself. Whether ledgers be posted by hand or by machine makes little difference to this. In any event, the men in charge of organization and management to-day were trained under the manual system, and a book which places this at the disposal of juniors who may not yet have witnessed it should be of advantage in giving them the basic facts. Moreover, the changes already being made in mechanization would put out of date, before it could be rushed through the press, any book which could be compiled.

Finally, as is always the case in writing a book on banking, the author must needs express his gratitude to the many people who have given him assistance in his task. Friends in banks other than that known to the author have helped by informing him on points in their internal organizations, and a debt is due to Mr. Ernest Sykes, the Secretary of the Institute of Bankers, for the very valuable assistance he has rendered in the final stages of the work.

The reader who may not find the book to be what he thought may care to be reminded of the words of the Spartans to the Ambassadors from the Isle of Samos: "We have forgotten your beginning, we paid no heed to the middle of your harangue, and nothing has given us pleasure except the end." I entertain the fervent hope that the quotation will not be required by many.

F. J. L.

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THE ORGANIZATION AND MANAGEMENT OF A BRANCH BANK

CHAPTER I

HEAD OFFICE AND THE BRANCHES

Anthony "I shall remember when Caesar says 'Do this' it is performed"

Julius Caesar. Act i, Scene 2.
W SHAKESPEARE.

THE basis of banking as it is carried on nowadays by joint-stock companies is that the final control and responsibility for the conduct of the business vests in a board of directors. Some of these directors are what may be termed full-time bankers, but the majority of them are leaders in various walks of life who have been invited to join their boards primarily on account of the wide outlook which they can import into the life and work of the company. Whilst they initiate policy on broad lines, the day-to-day running of the business is naturally enough left in the hands of a small committee of the board, assisted by a staff of what are usually known as senior officials, general managers, and so on.

Boards of directors, then, whilst retaining a veto on transactions generally, do not usually aim at conducting routine detail. In modern practice they usually regard themselves as exercising a dual responsibility. First, they are responsible to their shareholders, exactly as any other directors are. They are responsible for conducting their business along lines which will produce periodically a dividend of reasonable proportions, and also for maintaining intact the capital and

other assets of the company. Secondly, there has been borne upon them by public opinion a duty to the public in general. It is expected that they conduct their business on lines which shall assure to trade and industry generally a supply of credit essential to the well-being of the nation, and that they do nothing likely to jeopardize the smooth functioning of the nation's economic life.

It is submitted that there is nothing in the least conflicting in these two responsibilities, for a business cannot be properly regarded as being run on sound lines unless it is making a profit and preserving its assets, and a bank's ability to do this is a moderately fair test of its success in performing its more public functions. It is suggested that the only avenue open for argument is the one dealing with the size of the profits and the methods whereby the assets are preserved, a matter which does not lie within the scope of this book.

The directors discharge their responsibilities by means of a full-time staff employed at various branches up and down the country, and to ensure that all customers obtain equal service at all branches, a uniform system is imposed on the branches to which strict adherence is required. This adherence does not preclude some degree of latitude being extended to various sections to allow for local custom, but it would obviously be an impossible state of affairs were a customer in, say, South Wales, to receive very different treatment from that of a customer in, say, Newcastle. By the operation of a form of Gresham's Law, customers would tend to direct their accounts to the area which offered the most favoured treatment, and the conduct of business would become rapidly impossible. It would also be most difficult for the staff were they have to relearn the internal routine every time they were moved to another branch.

The basis of branch organization, therefore, is to ensure uniformity of treatment between branch and branch for the customers of the bank, and to achieve this by the imposition of a uniform system. This uniformity of treatment discharges the responsibility of the directors to the public on the general

side, and the control exercised by Head Office enables the business to be kept on an even keel, thus promoting the making of profits and assisting to preserve the assets of the bank.

The information upon which the directors act reaches them in many ways. First and foremost, as business men or men of affairs themselves, they are aware of public opinion on broad lines. Very few bank directors are hermits, and their own close daily contact with the world gives them special opportunities of forming opinions on general matters. They are assisted in further shaping their opinions on matters affecting their own bank by the help afforded them by their senior officials, and these gentlemen obtain great help from the information tendered to them by the branch officials who are in daily contact with their own local public. The conveying of this local public opinion to Head Office is one of the most important duties of a branch manager, although this does not imply that each branch manager should necessarily submit a daily report to his Head Office to discharge such duty. This is a matter which is dealt with further on page 10 in dealing with the position of the branch manager.

The directors, then, have necessarily to limit themselves to the laying down of broad lines of policy, of saying where the ship shall sail, rather than actually sailing it themselves, and of dealing with the very largest transactions, somewhat in the way that a pilot takes over at tricky points of the voyage. In between whiles the actual work of the bank is necessarily left to the staff, the directors knowing that such work will be carried out along the uniform lines laid down by them.

Head Office Control.

The key position in any bank is Head Office. It originates all instructions and sees to their carrying out. In military terms it may be regarded as a General Staff organization which, whilst it does not actually do any fighting itself, is responsible for seeing that the main body is in a position to fight, and does so along agreed lines. "Head Office" in this

connection implies an organization outside all other activities. It should not be confused with the banking business carried on in the headquarters premises, usually designated "City Office," or some similar name. This is a branch, so far as Head Office is concerned, like any other. Head Office proper is an organization on its own which co-ordinates and controls the banking business from the outside.

For book-keeping purposes each branch of the bank maintains an account with Head Office just in the same way as customers keep accounts with the branches, and such accounts may be in credit or overdrawn in the same way. Each branch clears every day all its transactions through this Head Office account with the single exception of its till cash. When, therefore, a branch receives anything from anybody in the course of its daily business, such receipt can only increase either its till cash or its Head Office balance. When it pays anything away, it can only decrease its till money or its Head Office balance. If anything else happens the book-keeping is wrong, and if this be kept in mind continuously errors cannot very well arise.

Branch Profits.

In order that each branch shall be able to arrive at a true account of its stewardship at the end of each half-yearly accounting period, Head Office allows to the branches a rate of interest on the nightly balance of its Head Office account when in credit, and makes a charge when in debit. The net total of the nightly branch balances accumulated in this way at Head Office is the basis of the fund which is available for loaning to the Money Market and its offshoots. Out of its earnings in this way Head Office discharges its own expenses, and the balance is available for distribution to the branches as stated above. With a little experience of the approximate way in which one's own Head Office arrives at the figure to be allowed or charged to branches, it is possible to estimate fairly closely towards the end of each half-year the figures which Head Office will allow to or charge the branches.

Where the Head Office account is in credit, and an allowance will therefore fall to be made to the branch, this will be credited before the close of the half-year (the exact time varies from bank to bank), and this credit will be applied to the Profit and Loss Account kept by each branch. Shortly after the opening of the new half-year the branch will transmit to Head Office by transfer the balance of its Profit and Loss Account, including this Head Office Interest item. Obviously, to arrive at the true figure for the bank as a whole, the chief accountant has necessarily to adjust the total of this fictitious item, but in the meantime each branch has been able to see exactly how it stood on its own.

It will at once be seen that the branch which can supply all its own requirements as to overdrafts from its own deposits with little margin will be in a very favourable position, for the rate of interest allowed by Head Office on branch surpluses will be less than that which would normally be charged to customers. On the other hand, a branch which has to borrow from Head Office to fill its overdraft requirements will be able to show as profits only the difference between the figure it has to pay Head Office for this facility and that which it can charge to the borrowers. Also a branch which cannot lend much of its surplus itself will not make such a good showing as it will be able to make only the difference between two low rates, that which it pays its depositors and that which Head Office allows it.

The great advantage to branches of this system is that it is no longer necessary for a manager to balance his own book. He can thus lend freely—with the sanction of Head Office, of course—without bothering whether he has the money available in his own branch, and large deposits can be accepted freely without having to bother how they will be utilized.

From Head Office point of view it is thought that individual branch figures will be an adequate incentive to managers to endeavour to balance their own books. A manager will readily notice that, having made a large advance out of his branch, if he can obtain deposits sufficient to cover his position he will

increase his profit figure, or, if he has obtained a large deposit he will be inclined to go out after commercial business to which he can lend more freely, and so absorb to his own profit the money he has already obtained and which is lying with Head Office.

To prevent indiscriminate lending in the latter case and to encourage legitimate borrowing in the former case is a vital and basic reason for Head Office control.

A further use of Head Office organization is to facilitate inter-branch transactions. In the common daily example of a customer paying in at one branch for his credit at another, the effect of the entries made is to reduce at Head Office the balance of the receiving branch and increase that of the ultimate branch to which the credit rightly belongs. The first branch has its Head Office balance reduced and as a *contra* its till money is increased, or if the credit were cheques the Head Office balance would be again increased by the amount of these cheques when included in the Remittances to the Clearing House. The ultimate branch finding its Head Office balance increased would thus be enabled to credit its customer's account

Head Office account is increased by—

- (a) Actual cash forwarded by the branch.
- (b) Cheques forwarded by the branch for which the bank finally gets credit in its account at the Bank of England from the Clearing House. This applies to all remittances, whether they are cheques on Clearing Bankers or not, as all outsiders will eventually be paid for by means of tickets on Clearing Bankers (or occasionally in cash)
- (c) Credit entries from other branches for sums to be transferred to customers of the branch being dealt with.
- (d) Proceeds of coupons and drawn bonds, payments from brokers for the credit of customers of the branch arising out of sales of Stock Exchange securities, and other payments of a similar nature from outside the bank.

The Head Office account of a branch is decreased by—

- (a) Cash withdrawn by the branch for till money.

(b) Payment for clearing cheques drawn by customers of the branch.

(c) Other payments made by Head Office on behalf of the branch and for London drafts drawn by the branch payable to customers or their order.

A branch can receive only two kinds of articles: one will be cash, which will increase the tills; and the other will be paper of one sort or another which, being collected through Head Office, will increase the Head Office account balance. A branch can pay away money in only two ways: one is in cash, which will decrease the tills; and the other is by paper order, which will eventually decrease the Head Office account balance.

The Book-keeping System.

The system in general use in English banks is that usually known as the "slip" system. This implies a slip being made out for every entry in the office by the person responsible for originating such entry—possibly being initialed by another officer for verification—the slips passing gradually round the office in the course of the day rather than the books moving round to effect the requisite entries. In all cases double-entry book-keeping is used as a matter of course, the officer originating a credit being normally responsible for seeing that a debit is originated simultaneously. If either slip is missed the Waste Books¹ will not be able to balance and the error will be stopped at the first stage. Should a credit slip be mislaid after having gone through the Waste Books, the Check Ledgers will not balance, and should it be lost after this stage the ledgers will not balance. Should it be lost at a later stage, the Pass Book of the relative account will not balance when it is compared with the ledger account to which it relates. Similar checks arise in dealing with debit slips. If the debit slips relate to ledger accounts, a similar check to that imposed on credit slips will arise, and if they should be cheques (which are debits on other banks) the Remittances will fail to balance.

¹ See Chapter VI for descriptions of subsidiary books.

As a safeguard against fraudulent manipulation, it is usual to find that every stage of the branch book-keeping is sectionalized; for example, the clerk who writes up the Check Ledgers will not be permitted to post the ledgers, nor will a ledger clerk be allowed to write up pass-books. As a further check to this end, as well as to more accurate working, the pass-books will be written up direct from the vouchers, the clerks doing this not being allowed access to the ledgers meanwhile. Similarly, cashiers will not be allowed to post ledgers or to write up pass-books, and so on. Where the staff is too small to permit thorough sectionalization, other considerations will apply which will be dealt with later.

As a final distinctive mark of bank book-keeping, every entry which originates during a day is dealt with before the books can be considered closed for that day. In case of necessity, entries will be passed to a dummy or Suspense Account to effect a balance, but nothing will be left over under any circumstances. The book-keeping is, moreover, cumulative, so that on any night the balances shown in the books could be extracted to show a complete balance sheet and Profit and Loss Account of the branch as at that night.

Head Office Cash Account.

By means of cumulative totals supplied to Head Office by the branches, the same position for the bank as a whole can be, and is, extracted the next morning, on which the Central Management can base their plans for the day and the immediate future. Usually, this cumulative statement commences with the figure of the previous night's Head Office account balance as the branch makes it. To this, on one side, is added the totals of items being sent up as Remittances, amounts due from other branches and agents as advised direct to the branch during the day, amounts which Head Office itself has advised as having been credited to the branch's Head Office account, and cash which the branch has sent up as surplus to its till requirements.

From the figure so arrived at is deducted the total of the

cheques drawn on the branch received from the Clearing House, totals of items due to other branches and agents, other payments which Head Office is being asked to make on behalf of the branch, and cash sent from Head Office to replenish the branch tills. The resultant figure is the balance which the branch expects it should have with Head Office at the end of the day current. From these statements received at Head Office the following morning clerks there with adding machines arrive with great rapidity at the position of the bank at the opening of business, which information is in effect a balance sheet of the entire bank at that point of time available to the Management ready for the effective commencement of business in the City.

The necessity for bringing in during the day every item which the day has brought forth can thus be appreciated. The further necessity for balancing the branch's work of the day in order to balance the Head Office account will also be noticed. In the case of any individual branch by itself, £10 may perhaps not look very much to be out, but as soon as this is multiplied by 1,000 or more branches, the final error begins to assume proportions of obvious importance.

A more detailed account of the branch book-keeping will be given under the various sections which deal with different parts of the work; for the moment this brief outline will suffice if it has brought out the fact that a perfect balance must show every item disappearing either into the tills or into the Head Office account balance.

CHAPTER II

THE BRANCH MANAGER

"They each took one of Alice's hands and led her up to where the King was sleeping

'Isn't he a lovely sight?' said Tweedledum "

Through the Looking Glass Chapter IV
L. CARROLL

THE branch manager is the corner-stone of the banking system of this country, and his main duty is to manage. That may sound rather trite, but reference to the dictionary will show that the word "manage" means "to have under control: to conduct with great carefulness," and these two phrases aptly sum up a branch manager's duties. The story runs that many years ago a learned lawyer was called upon to advise a young relative as to his conduct in the law if he wished to succeed in that walk of life. It was suggested that he should learn how to speak correctly, how to judge a good wine, and how to comport himself in mixed company. "If, in addition to this," so ran the advice, "you should happen to know a little law, it will not be held against you." Roughly speaking, the same thing might be said about a branch manager, except that in modern times he is expected to know a lot more about the technical side of his job than the foregoing would seem to indicate.

In modern conditions his duty is twofold. In the first place, he represents his bank and its directors to the local public; and, secondly—and of equal importance—he represents his local public to the directors. His position may be likened to that of the neck of an hour-glass. Through his hands passes all that appertains to the business life of his neighbourhood—information upon which his directors are enabled to formulate their policy. When the glass is reversed, the decisions and aims of his directors filter through him to his public. If the neck of the glass be too restricted, the sand will tend to pass

too slowly; if it be too large, the sand will tend to pass at a rate which will prohibit anyone drawing any satisfaction from the passage. In practice, however, it is rarely that a branch manager sees much of his directors, there being a secondary neck interposed, viz. the Head Office organization in the midst of which stand the general managers, to whom the branch manager looks most directly; but they can be regarded in this particular as being no more than an added channel of communication, and do not affect the truth of the foregoing statements.

The branch manager ranges from the morning-coated gentleman seated in an elegantly furnished parlour at a well-appointed desk, whose main equipment is a battery of bells wherewith to summon his assistants as required, flanked by a modern filing equipment maintained by a private secretary, who is housed in an adjoining compartment; to the lounge-suited bank officer commanding a crew of two (or less!), who takes a till on the counter, posts part, at least, of his own ledgers, and who may even occasionally be seen taking his own letters down to the post office. Between these two extremes—both of whom are branch managers—lies a host of managers of all sorts, sizes, and descriptions. It will, therefore, be understood that where I refer in this chapter to "The Branch Manager" I am endeavouring to include as many different types as exist, the only difference between any of them being that of size. The functions which they all exercise are entirely the same in all cases, the £100 advance of the one being made on more or less the same terms, and certainly for the same reasons, as the £10,000 advance of the other. In the big office almost all the routine work of control must necessarily be delegated; nevertheless, it still remains a managerial function and is therefore described here as such.

The branch manager is—subject only to the orders of his directors transmitted *via* Head Office—king in his own castle. For all errors that occur he takes the blame, and for all the good work steadily performed week in and week out he reaps the rewards which follow from a well-run business. Within

the limits of General Orders the branch manager is normally allowed considerable latitude, and when permission for some relaxation from a particular Order is sought, it is usually forthcoming when the request is reasonable. Nevertheless, the collective experience of a large Head Office is extremely wide, and as Head Offices do—contrary, I know, to popular belief!—really seek to forward the prosperity of the bank as a whole, their Orders are usually issued only for some perfectly good and sound reason. In this connection one might interpolate that there appears to be a good opening for some sort of House Intelligence Service in English banking which shall aim at keeping the branches, especially the smaller and more outlying offices, in closer touch with what might be called the “shop gossip” of the particular bank, thus giving them a better idea of what Head Office Orders are being aimed at.

Business Getting.

The branch manager is responsible amongst other things for obtaining new business. How he does this is left to his own discretion, but a branch which appears to be standing still is very soon going to be a branch going backwards. Accounts will constantly be lost through removal, death, amalgamations, and even through marriage, and replacements are vitally necessary if even only the *status quo* is to be maintained. The number of new accounts obtained is one of the tests imposed by the general managers when reviewing a branch manager's work. They realize that old accounts will be lost from time to time, and therefore more attention tends to be paid to the gross new entry than to the net total outstanding at any particular period.

The general system of book-keeping in vogue in English banking aims at preserving each branch's accounts as a separate item, from which the actual profit or loss for that particular branch can be ascertained at the end of each accounting period, usually half-yearly. The branch manager is, therefore, open to judgment on the “profitability” of the

business he has acquired. Any fool can obtain business by price-cutting in any walk of life. The successful branch manager is he who can obtain business from which he can earn suitable profits. The acquisition of business at too fine a rate is a boomerang, because, given enough of it, the staff will need increasing and the expense will have to come out of the older business which showed a profit. New business may thus be less desirable than it often looks on the face of it, and the good branch manager is he who can judge this with accuracy. Of course, a sprat is sometimes thrown with a view to landing a mackerel, but it is a game requiring a steady eye!

Balancing the Branch "Book."

Then again, each branch is deemed to keep an account with its Head Office which will be either in credit or overdrawn according to the state of the branch's business. A manager who is lending his own money—that is to say, money which he has on deposit from other customers at the branch—will show better profits than the manager who has landed a big advance, but who has had to borrow from Head Office to balance his book. Although during normal times a manager is not expected to be tied down to lending only what he himself has previously got in, it is obvious that the manager who can balance his own book without recourse to Head Office funds—which are the deposits of other branches!—is doing better in the way of business getting than his colleague who is the other way round, and he accordingly reaps the reward of his superior showing at the end of his half-year. Nevertheless, branches are not judged entirely on pure figures without a consideration of their attendant circumstances. A branch manager in a purely coal-mining area has had a very thin time the last few years, whilst managers of branches in certain spots, particularly in and around London, have been doing phenomenally well, almost without effort. Inspectors' reports convey this information to Head Offices, where it is duly noted, besides which, Head Offices maintain a form of research staff engaged in charting the good and bad

spots from time to time, and the matter is constantly before the senior officials and, through them, the directors.

There are two schools of thought as regards the methods a branch manager should adopt to obtain new business. One school—eloquently described as the “Golf Club School”—regards it as essential to mix very freely with customers outside the office. It obviously is necessary to do a certain amount of this, banking being still very largely a personal business. The only drawbacks to it are that it is expensive—an important item for a young manager—and it also tends to take one out of the office rather a lot during office hours in order not to offend or displease important customers whose hours of business either do not exist or do not coincide with those customary in banking circles. In this way other customers who have gone out of their way to call at the bank to see the manager during his advertised office hours may easily be equally offended. The “Ball and Chain School” holds that a manager should always be available at his desk during office hours for this very reason, although even branch managers are conceded a short interval in which to refresh themselves at midday. Probably the happy mean is the most desirable, it being just as bad to become known as a man who is afraid to leave his office as one who is rarely there. Each school can produce prodigies, and a newly-appointed manager will be best advised to take his own line—and chance his luck in it! In passing, it may be noted that the man who will not leave his office at any time lays himself open to the accusation that he has been unable to train his subordinates properly, whilst he who is always out and about is equally liable to have the charge brought against him that he is a figurehead dependent on the brains of a more capable, but less recognized, assistant.

It has been seen that the branch manager is entirely responsible for the work of his branch. To shoulder this responsibility adequately he must partake, to a limited extent at the least, in routine work. The work of a small branch will be immediately under the manager's eye all the time, much

of it being done by himself, in fact. In such cases it is no bad thing if he changes his jobs from time to time as a means of checking the work of his subordinates, as well as giving them as much all-round training as possible. In a larger office the amount of routine which a manager can or is even expected to do gets smaller and smaller as the size of the branch increases. In these cases he must perforce content himself with surprise checks of odd transactions at varying intervals, relying in the main on keeping a look-out over the actual clerks concerned with any job, and on his judgment of their capability and responsibility. Such a branch manager will not have reached his post without a good record behind him, which thus enables him to judge better and more quickly than his more junior colleagues whether the office is keeping on the rails or not. In general, it must be said, as it is said in the Navy, that a busy ship is a happy ship, that a busy office is a happy one, and a man who is not trusted by his own colleagues had better be cast at the first opportunity, even if his place be not filled by a transfer from elsewhere.

Staff Training.

A further responsibility of a branch manager and a most vital one is to see that men are trained in order that the prosperity of the bank for the future be not impaired. No branch manager who lives only for his own time can be said to be doing his whole duty. In a small branch—the best training ground of all for a young man—everyone on the staff gets his share of almost every duty in the ordinary course of things. He may not see big transactions, but in a small branch he can see a complete bank in miniature. Later on is quite time enough to see that the Waste Book which he wrote up as one of his jobs in a small office becomes a full-time job for half a dozen juniors in the large offices. It is suggested, therefore, that a junior who serves the first six or seven years of his banking career in small offices obtains an advantage over his fellows which no service elsewhere can fully compensate for, although it has been said that every junior should serve

at least a twelvemonth in a large Town Clearing branch by way of brightening his ideas up. Men who have had their early training in such offices carry a hallmark of slickness and dispatch with them right throughout their service. The constant working against the clock gives them a smartness which they never lose, and the feeling of contact with big things and the air of mental agility which pervades such offices—however remote their own small task may be from the actual events themselves—provide a *cachet* which is never entirely eradicated. Apart from this short "brightener," during which the young man can obviously learn little or nothing about banking proper, service in small branches seems to be quite the best training. In such branches, therefore, the Manager's training duties are more easily performed. In large offices the most that can be done is to group the staff and interchange frequently inside each group. Grouping is necessary because it would be quite impossible to allow a junior of, say, three or four years' service, to have a go at securities, bearing in mind the quantity a large branch has to handle in a limited time, and the importance of each deal. Such a youngster could, however, be given a short run on ledgers or pass-books as a change from remittances or waste books without too much risk of upsetting the routine work, and even small changes like this are very welcome as well as being instructive. If they do no more than show a junior that they are not so easy as they look they will have done some good.

Ledger clerks can be given a run on the counter, whilst cashiers might very well assist with securities, under the supervision of a securities clerk, after closing in the afternoon. Of course, holidays are the best time for such shifts, although it is eminently desirable that each member of a staff who will have to undertake different work during holidays should be given a short run prior to this time under the eye of the man or woman who normally does the particular job in question.

The nature of branches varies so widely that it is quite impossible to formulate any general plan; but the training

of staffs is definitely a manager's duty, and the successful manager in this direction soon attracts attention to himself. In almost every bank men can be pointed to as being a "So-and-so's" man, a hall-mark which must obviously redound in a degree to the status of "So-and-so."

The Manager's Control.

The methods by which a manager exercises his control over his office are very largely left to himself in most banks. In a small branch he should be able to know all his customers with very few exceptions. The larger a branch gets the more difficult this becomes, until one reaches large branches where the manager cannot possibly know more than 10 per cent of them. In any event it should be his aim to see every customer who comes on to his books, even if this initial chat is the only time he ever sees them. He should have at hand a record card for each account, and it is desirable that he should scrutinize every authority which the branch accepts concerning dealings with accounts. The manager's personal record card for each account should contain this information, and it should be the duty of the clerk who files such documents to see that they are duly entered on the manager's card before finally disposing of them in the office file. The customer's individual record card should carry enough detail to enable the manager to dispense with leaving his room during an interview to refresh his memory with standard details of the account. Arrangements made for advances, securities lodged, statistics of past years' workings, connections of partners or directors, should all find a place on such a card. Not only is this full record of value to the manager himself, but it is vital to a successor or a relief manager during holidays or sickness, and from this standpoint it is only the right thing for a manager to do. In actual practice the man who carries everything in his head is little short of being a public menace, and when the day comes that he is absent or has left, taking with him all the knowledge of the business, he will earn small thanks from his directors.

The Manager's Diary.

In this connection the keeping of a very full diary is a *sine qua non*. Every solicitor keeps a very full diary of the business he transacts, and in case of necessity this diary can be—and is—called for in the Law Courts. Many such diaries, ready ruled, are on the market, and they will be found of great value to any manager who is starting to keep a full diary for the first time. With experience, different requirements as to rulings may be developed, but for a start one of the standard lawyers' diaries is most useful. Naturally, such a diary must be kept regularly and at the time of each event happening. A note made a week or even a day after the event is of little value, because the record may then be only of what the recorder thinks has taken place, which may easily be tempered with some after-acquired knowledge. In major business operations it is becoming increasingly common for each party to dictate a detailed memorandum of any arrangement immediately on his return to his own office, copies being exchanged at once. Any discrepancy or misapprehension can then be taken up right away with a consequent reduction in after-sorrows. This may be too perfect a model for the average branch to attain, but there is no excuse for a customer to leave the office with any different view in his mind from that which the manager has got, and if a short epitome be made at the time and agreed with the customer, practically no trouble can arise—saving always in the case of the born cantankerous, which we still do meet at times!

This managerial diary should be passed round the office at the close of business each day. Passing first to the accountant, then to the securities clerk, afterwards to the cashiers, and then to the ledger clerks, each should note anything which concerns his or her work, and as evidence that the matter has been put in train, the clerk responsible should initial the entry in the diary. In large offices it will be found very convenient to have two diaries current for use on alternate days. If a red-bound book be obtained for Mondays, Wednesdays, and Fridays, a blue-bound book for the other three days will be

helpful. Naturally, anything undertaken by the manager which requires immediate attention will be handed out of the parlour right away, although a note should still be made of it in the diary as usual.

Nursing Accounts and "Poaching."

Banking is still mainly a personal business, and much of the manager's personality can be profitably conveyed in the manager's parlour. Those branches where this parlour becomes known to a group of customers as the "sweating room" are foredoomed to failure in the absence of anything very compelling to the contrary. Where, however, customers find their reception such that they like coming—although this may possibly become a mixed blessing to the poor manager!—it is certainly a sure indication that his manner is right, and, moreover, they will probably bring their friends sooner or later. It is surprising how much business can be obtained through this very simple means alone, and equally surprising how much can be lost by a chilly or hesitating manner.

The much debated question of "poaching" arises in this connection. There is a continual ebb and flow of accounts between bank and bank. Very largely, these are the smaller fry, but they are none the less acceptable. Managers of long experience have been heard to say that no accounts really worth having are ever got by poaching. Whilst there is some degree of truth in this, there are plenty of exceptions available, and worth-while accounts are "poached" from time to time.

It is strange, however, that the customer who professes to be insulted by a request for further security, or more often for a sight of his last balance sheet, will go across the road to a rival and produce there not only full gilt-edged cover, but the said balance sheet without hesitation. This sort of thing naturally cannot be helped—it seems to be a freak of nature. Taking accounts on such occasions cannot be called "poaching," nor can nursing the private account of a company director in the hope of one day getting the offer of the

company's account from the other bank. Poaching is, in fact, rather hard to define, and the limits are getting more loose every year. In practice, however, everyone can recognize poaching when he sees it, and the main argument against it is that, like "touting," it is inclined to be a boomerang when one least expects it. Still, it will go on and, beyond drawing attention to its existence, nothing more can profitably be said. As the race for accounts gets keener, poaching and touting alike will need revision from time to time; but in the country, and especially in small towns, the old custom of going over to see the manager of the office from which a new customer has just moved his account, and mentioning the fact that you have got the business, is often of much value.

Interviews by Appointment.

Apart from the customers' individual record card, the manager requires little other aid in performing his duties, except such books as are common to the office. He will frequently, however, find a memory jogger in the form of a card diary useful, although this can usually be more profitably kept for him by the accountant or chief clerk. An appointment diary is important in a big office, and many useful printed designs are to be found on the market. Detailed description of them here is, therefore, unnecessary, and a description of the main office diary will be found in the chapter devoted to the "Accountant" (see page 48). Appointments are very easy to make, but the breaking-off of an interview is rather a different matter very frequently. An indispensable part of a branch manager's equipment, therefore, should be a prearranged signal at which an assistant can enter the parlour with a message which shall serve as the useful "get out." Care should be taken that the arrangement be varied from customer to customer, and from time to time, and also that it be not too transparent, but of its value there can be no argument. The "pre-" part of the arrangement is also important, for to leave the customer alone for a few minutes and shortly after to receive such a message is far too obvious.

Relations with Head Office.

The work of a branch manager in his outward relations is certainly a most vital part of his duties, because he is the only official of the branch who is definitely charged by his directors with any duties that way. A bad or a poor manager can wreck all the good work of the rest of the office, whilst a good manager can sometimes (although not often) still carry on a branch with a poor team. He obtains, however, his authority with the public by reason of his relationship with Head Office, and his success or otherwise with his public can be very seriously affected by the way he handles his Head Office officials.

The successful branch manager of to-day must not only know what he wants to get for his customers, but he must know how to get it out of Head Office. Generally speaking, Head Office will be willing to go to great lengths in support of a manager and to let him have considerable rope, so long as they think he is capable of keeping it untangled, and so long as he does not try to hang himself with it. Once either of these happens, they are naturally chary of letting out the next time, as they have to justify to the general managers, and through them to the directors, the workings of their own sections. The ability to tell not only a true story (this is vital) but a readable story to Head Office is an essential part of a manager's equipment. A certain amount of imagination is called for in the presentation of such a story, especially as things regarding a customer which may be quite commonplace to the manager may be impossibly outside the ken of Head Office. A story must, of course, be short, but it should contain not only everything which may lead Head Office to accede to the manager's request, but everything else they ought to know—which is sometimes a very different thing! It is hardly suggested that managers might benefit by a short correspondence course in free-lance journalism in this connection, but they can certainly profit by a continual study of the summings-up of judges in long and intricate commercial cases. The Law Reports are the only places in which these

can be found in full, but certain leading daily papers give commendably long reports of the major cases, and these are well worth reading. A judge rarely omits anything of value, whilst a perusal of the evidence in the case will enable the reader to see how much has been cast which one party or other thought of sufficient value to bring forward at some expense. A branch manager's letters to Head Office should follow this model. We cannot all be barristers, but that is no reason why we should not learn from them. The manager who builds up a reputation of this sort will find that he can get better service for his customers than he who takes little trouble or regards it of small value. The manager who gets things through soon becomes known outside the bank—which is what he wants.

A manager is also judged at Head Office very largely—so far as day-to-day judgment goes—by the letters which the officials have continually flowing through their hands. This inevitably colours their judgment when they are making one of their periodical examinations of the manager's position for either increment or promotion. A leading morning newspaper puts the point very neatly in asking its correspondents to be as brief as the importance of their topics warrants. The branch manager's letters to Head Office should follow this rule.

To sum up this estimate of a branch manager's position, one might say that he is like the captain of a ship. Whilst at sea a ship's captain is in very full control, subject only to periodical reporting to the owners. A branch manager is in charge of a self-contained unit of his bank to do with it as well or as poorly as may be. He is limited certainly by sundry rules imposed on him from above, but his scope is very elastic, particularly if he is not afraid of giving the elastic a tug now and again.

So far as concerns the business side and the profit-making, the branch manager is left very much to himself; on the matter of internal routine he is more circumscribed, and his

duties in this connection will become apparent as the various sections of a branch's work are followed through succeeding chapters.

Control of Business.

In many banks certain books are prescribed by means of which the branch manager is expected to keep in daily touch with the changes in his business. For the most part these are based on figures extracted from the ledgers as at the close of business the previous day, but where no set form is prescribed by his bank a manager can minimize the number of items requiring his attention by instituting a system of "limits." This consists of marking certain accounts with a figure up to which the customer can be allowed to overdraw without further reference by the ledger clerk. In certain banks the "limit" system is officially in use, and sanctioned limits have, therefore, an official significance, and the term has a quasi-technical meaning. Other limits can in this case profitably be instituted under the term "Refer Limits," meaning that when the customer has reached this point reference to the manager is required.

In every branch there will be sundry customers whose cheques will inevitably have to be paid under any circumstances, and it is hardly worth while taking up the manager's time by reporting over-drawings by such people within definite limits. It is on these accounts that "Refer Limits" can be profitably used, but it is patent that a close watch must always be kept on such a system to see that a "Refer Limit" is not left in operation after a customer's position has changed for the worse.

Officially sanctioned limits by Head Office will also require marking for the ledger clerks who will be able to pass cheques drawn within such limits. The manager will thus have presented to him every morning a statement showing accounts overdrawn within officially sanctioned limits, accounts overdrawn within his own "Refer Limits," and other accounts overdrawn in any other way. It is with this latter class that

he will be most concerned, and as the morning after is too late for effective action, some check must be imposed at an earlier stage.

Systems of checking unauthorized drawings vary considerably, but it is obvious that some sort of system must be instituted in every case if the manager is to shoulder his responsibilities adequately in this important respect. One system in use is for the ledger clerk when posting to turn the vouchers over into two distinct piles, one containing all cheques which do not create overdrafts, the other all those which do. A chief clerk or a paying cashier duly authorized for the task then goes through all the overdraft cheques before the latest time for returning unpaids. Many cheques in this pile will be passed by this official out of hand; the remainder then go to the manager for final decision. The result of this easily managed system is that the responsibility for passing cheques is shifted higher up the office than when it is left to the ledger clerk as to what he refers. To check the responsibility, the paying cashier in question initials in pencil on the back of each cheque so passed by him, whilst the manager similarly initials those he decides to pay; there can then be no question whether a cheque was referred by the ledger clerk or not.

For such a system the office should be so organized that, even at the busiest times, the ledgers are posted before the latest time for returning cheques, whatever that may happen to be in any particular case. Such organization is dealt with separately later in this book.

With a system in vogue along such lines, the manager will be able to locate every increased advance shown in his report books the following morning, and fix the responsibility therefor. This fixing of responsibility is most important always, and at no time more so than in advancing the bank's money. In some cases it is usual for a short note of the security held for any customer to be noted in this report book against the amount shown as overdrawn, but as will be seen later, this is not entirely necessary, and too much detail may delay the

rapid preparation of the report which the manager should find available on his arrival at the office each morning.

Where branches follow the system of returning paid cheques to the customer with his pass-book, responsibility is best maintained by entering referred cheques in a jotting book, the initials of the official authorizing the payment being placed against the entry. Such a book has an advantage in that it may be passed to the various departments of the office before reaching the manager, each department eliminating any cheques about which it has special knowledge. It is also possible to refer to such a book later to see which customers continually run near the line.

In a very broad manner of speaking, control of a branch is mainly control of advances at the branch, although the manager will need to keep his thumb on every point within reasonable bounds. The periodical but haphazard surprise checks already mentioned should enable him to maintain control over the office routine, and control will be maintained over such items as totals of credit balances, numbers of accounts open, etc., by means of the usual returns which have to be prepared weekly or at other stated intervals for Head Office.

Control of Expenses.

Control of expenses is a matter over which active supervision can be readily maintained. Normally, no one should be authorized to incur expense in any way without first obtaining the sanction of the manager, although in actual practice it is frequently necessary to delegate authority for small items, especially those of a recurring nature. In any event, control can be maintained by enacting that no voucher shall be passed through the expenses accounts without first having been initialed by the manager or his duly authorized deputy. This responsibility should be definitely placed on the ledger clerk who posts the expenses ledger account, for if the responsible clerk cannot post the voucher the day's work cannot balance, and the check is immediate.

In small branches the manager will usually make it his duty

to see, at the latest on the morning following, every voucher which has passed through the books the previous day. The flaw in this check is that a voucher which it is desired to conceal for any reason will not be shown up, and in any case the scrutiny must be made early if the work of the office is not to be delayed, e.g. writing up of pass-books. It does, however, serve a useful purpose by allowing the manager to see the business his customers are transacting, and quite a large pile can be run through in a very few minutes.

In the larger branches this is obviously not a practical proposition, and in such cases it is customary for only those vouchers relating to impersonal and bank accounts to be shown up, as these are not normally subject to the dual check of being entered in pass-books which will subsequently have to be balanced.

Information Records.

It is essential, nowadays, that a branch manager should have readily available, both for his own use as well as for possible successors, as much information regarding his customers as is obtainable. Such information will most conveniently be kept in a card-filing system, a card being started for each account as it is opened. Branches where this has not already been done will find it a fairly heavy task to start, but the trouble involved will be found in the long run to be well worth while. How much should be shown on such cards is a matter of opinion, but for a start each card should have the customer's name, address, occupation (with the firms with which he is connected), and a summary of the information obtained about him from his introducers. These cards will be kept in alphabetical order, and removed when the account is closed or leaves the branch in any other way. A supplementary arrangement is to interleave cards of a distinctive colour, showing names of firms or companies with which customers already on the books are connected. For example, a John Brown opens an account stating that he is a partner in a stated firm, and also a director of certain

companies, or connected otherwise with other organizations. For his own account just being opened a white card will need to be started giving this information, and coloured cards will be made out in the names of the connected organizations bearing the reference to Mr. Brown's own card. When the inevitable question crops up one day regarding one of these organizations, "Whom do we know there?" instant reference is obtainable. The connection may easily not be strong enough to be of much actual value, but when there have been several staff changes in a short period these connections are extremely difficult to follow, and business may easily be missed for lack of such a system. It is suggested that such coloured cards need not be removed on account of the white card to which they refer being carried to the dead file; in fact, it will rarely be necessary to make any note of such removal, for if the card sought is not in the live file, it takes but little time to turn round to the other.

Notes may profitably be added to these cards from time to time of interviews by the manager with his customer. For example, a note that in last January a certain customer complained about his charges for the previous half-year may be of value in guiding a successor who has taken over the branch towards the end of the then current half-year. Again, a note that another customer has been told that he can draw up to £50 at any time without reference, should he ever need it, will aid a relief manager should such drawing be made in the absence of the regular manager.

How far a manager can find time to make notes of Press and other public references to his customers in this file is always a matter for his own judgment, but there is nothing more likely to please a customer than to find one of these references present in the mind of a substitute in the absence of the manager. It shows him that the bank, apart from the officials, takes an interest in him, and he will rarely pause to consider how this interest is mechanically maintained.

Arrangements for advances officially sanctioned need hardly be placed on record in this file, as they will be found elsewhere.

Interviews.

Interviews occupy a very large slice of every manager's time and attention. There are two schools of thought in this connection. One holds that it is the duty of every manager to be always available for customers during ordinary banking hours; that customers expect that they will be able to dispatch their business with a responsible official without having to "call again, please," except in exceptional circumstances, and that even in these exceptional cases a responsible deputy will be available. The other school holds that as it is a manager's main task to secure new business, he should spend the greater part of his time out and about in places where he is likely to meet the people who have the giving out of such business in their hands. The criticism to be levelled at the first group is that a manager tied to his desk may easily miss opportunities which he could have snapped up by going out more, whilst the argument thrown at the other group is that by being always out after new business the old business—which may easily be quite as valuable—is jeopardized.

Probably the ideal is a cultivation of the art of being in two places at once. In any event, the staff, particularly the cashier, should be schooled to have a ready proffer of the manager's deputy. It really does no harm to let it be known that the manager has only just been called out in circumstances which he could not help, but that the sub-manager is here and will see the customer. This leaves the customer with an impression that had the manager known who was coming in, nothing would have lured him away, and even if his deputy is not strictly designated by Head Office as a "sub-Manager," customers prefer to have their interviews with someone bearing an authoritative title, and what the customer thinks is the most important point.

In any event, the manager should maintain an hourly diary for each day in which everything should be entered. His deputy, if this is efficiently kept, can promise interviews at definite hours, and should the manager be unable for any reason to return at the time he proposed, he should at least

telephone to see what, if anything, has been promised for the previously stated hour. Nothing can be imagined more annoying to a customer than to find not only that the manager is out, but that his staff do not know the time of his return. If the customer's business is urgent, he may quite easily take it direct to another bank out of hand.

Before concluding an interview it is a good plan to bring into play a little "memory tickler" device. Where it is possible to incorporate a glass writing slab in the middle of the manager's desk, this may be utilized to keep this aid to the fore. A number of set questions should be devised to meet local needs and, being typed out on separate sheets, can be retained as permanent ornaments of the manager's desk. By way of example, the *aide-mémoire* on page 30 may be found useful when being asked to lend money.

Every branch manager will need to invent his own "tickler" devices, mainly based, of course, on the questions to which Head Office will require replies when the application for the advance is formally submitted to them. Periodically, adjustments may be required and, generally speaking, fixity should not be regarded as too desirable an attribute in this connection, if only because it may tend to stereotype interviews along definite lines. When this happens the news of what questions "Old So-and-so" always asks soon travels round the district, and although this may have a slight tendency to make customers come prepared with adequate information, it may also tend to make them arrange such information in advance! The main idea is that, *after* an ordinary interview, the manager will not let the customer depart until he has gained information on the salient points which his Head Office will need.

Applications for Advances.

The system in force in the leading banks as to the limits within which managers can pledge their bank to make advances varies considerably. In one bank all managers are given a discretionary limit which commences at the power

MANAGER'S "AIDE-MÉMOIRE"

MAKING AN ADVANCE!

HOW MUCH DOES HE WANT EXACTLY AND IS THIS
ENOUGH FOR HIS PURPOSE?

FOR HOW LONG? AT WHAT RATE?

HOW IS HE GOING TO REPAY US?

WHAT SECURITY DO WE GET?

WHERE DO WE GET IT FROM? AND WHEN?

HOW SOON DOES HE WANT TO DRAW THE MONEY?

HAVE WE HIS FULL HISTORY?—Has he ever failed in
Business, etc.—What about his Balance Sheet?—
Does he bank elsewhere? etc.; following with any
specific information which Head Office will require
before giving their sanction.

REFUSING AN ADVANCE!

HAVE WE GOT THE REQUEST QUITE STRAIGHT?

IS IT BEING TURNED DOWN BECAUSE THE MAN IS
UNDESIRABLE? or BECAUSE THE ADVANCE IS NOT
WHAT WE LIKE?

IS IT BECAUSE THE SECURITY IS NOT UP TO STANDARD?
or BECAUSE THE TERMS OF REPAYMENT ARE TOO
VAGUE?

SHALL WE LOSE THE ACCOUNT? AND IS IT WORTH IT?
WHAT ARE THE CONNECTIONS?

to make advances up to £200 unsecured or up to £500 secured without reference to Head Office; larger branches having higher limits in view of the more important business interests involved. Another system is along similar lines, but the fact of such an advance having been granted must be reported the same evening with full details. A third system allows no such limits to managers on paper, but in actual practice any manager may make such advances as he thinks Head Office will obviously sanction, but can do so only on the understanding that sanction will have to be obtained, which must be communicated to the customer, who must agree that if the sanction is not forthcoming, the advance will be repaid within a short period—say, a month. Yet another system allows no discretion at all to managers, who must submit everything to Head Office first.

The main principles on which banks act when lending money are adequately dealt with in other works. For our purposes here it must be presumed that every manager will be conversant with these details, so that we can pass at once to more homely matters.

In the first place, it is submitted that it is useless, and an all-round waste of time and energy, to submit to Head Office applications which the manager must himself know stand no earthly chance of being sanctioned. To start with, the mere fact that the manager accepts such an application encourages the customer to think that, having surmounted the first hurdle, the advance will doubtless mature—and makes his plans accordingly. Another point not so widely appreciated is that a manager who submits any large number of applications which have to be turned down gets a poor reputation with his advance controllers, and even his good applications get tarred with the same brush as the bad ones in Head Office eyes. He thus not only impairs his own personal reputation, but jeopardizes his good business, risking his branch going downhill through the loss of the good accounts.

Apart from this, much unnecessary work is being manufactured both at the branch and at Head Office, the staff

running a serious risk of obtaining a jaundiced view of their chief officials, which may carry on until they themselves become managers in their turn. It is far and away the soundest plan to turn down out of hand any inherently bad application; and, although a local reputation may be acquired thereby of being a beast, it will be tempered with the feeling that the manager is a just beast.

In finally submitting the application to Head Office, certain stereotyped information must be furnished. So far as the application form goes, it must be followed, but it must be borne in mind that every application comes before men at Head Office who will know nothing like as much about the customer as the manager himself is expected to know. Whilst, therefore, applications should not be kept at the ABC level, they should contain enough information to enable Head Office to arrive at a fair judgment. Despite the many rumours to the contrary which have appeared from time to time, Head Office officials are moderately human, most of the more responsible having been branch men in their time, and such little items as that the customer in question is easily the most important business man in the neighbourhood and why, and that the manager has spent two or three years angling for him will often soften their hearts to an advance which would otherwise have to be turned down. This and similar items will not probably be provided for in the official form, but "General Remarks" covers a multitude of sins, as well as allowing for the display of some individuality on the part of the manager.

Once the sanction is received it is a wise procedure to communicate its exact terms to the customer in a formal letter. Normally, this communication will be made orally, but the formal letter following this interview puts the affair on a more definite basis, and by making absolutely certain that the customer knows exactly what is expected of him, heartburning in the future is avoided, or at least minimized.

The question of renewals of sanctioned advances presents several problems. If the customer is solemnly haled into the

manager's parlour twice a year, he may easily resent what he considers a fussy attitude; but if nothing is said or done, the impression may be conveyed that the customer has been granted a practically permanent advance. Possibly, the happy medium is to note the renewal period and, if the account has been satisfactorily conducted and Head Office sanction to the renewal is forgone, to obtain the renewal, watching for the customer's next appearance in the office of his own volition, and informing him then of the fact that renewal has been obtained. He will thus realize that some sort of periodical overhaul is taking place, without being unduly perturbed thereby.

Where Head Office sanction has been made conditional upon the performance by the customer of certain things, e.g. definite periodical reductions in a loan advance, it is foolish to ask for renewal should the undertakings not have been kept, without at least mentioning a very sound reason. It frequently happens that these undertakings have not been carried out at the maturity date of the sanction, but will be so within perhaps a short period. The soundest plan in such circumstances is to advise Head Office of the state of affairs, adding that, for the moment, renewal is not being sought for this reason. In this way Head Office will note that the matter is before the manager, and nothing counts against a manager so much as Head Office writing to ask why an overdue sanction has not been brought up.

The diarizing of sanctioned advances is a matter for the securities clerk.

Charges.

Few subjects give managers more trouble than customers' charges. So far as advances go, a rate of interest will be arranged when the advance is granted, the amount of charges in such cases being thereafter merely a matter of arithmetic. Where current accounts are concerned, different considerations arise.

There are two main systems of conducting current accounts

in vogue to-day. In London, current accounts are maintained without any commission being charged, provided that no overdrafts appear and that a satisfactory credit balance is kept. This balance may be the subject of negotiation when the account is opened, but otherwise it is mainly a matter of rule of thumb. In every case a manager should arrive at some uniform basis of charging, and by way of example the following method may be profitably cited ¹

A manager has ascertained that to cover his expenses his commissions must work out at, say, £1 per annum for each page of ledger used. Allowing that he is going to receive $3\frac{1}{4}$ per cent per annum on the balance of his Head Office account at the end of the half-year, an average balance of £30 free per page will provide this £1. If the average balance of any particular account falls below this £30 per page, commission charges will need to be made, but where it has been maintained the interest the branch will receive on this free balance will provide the £1. Where four ledger pages have been used, a free balance of £120 will be required to avoid charges, and so on.

One safeguard in this system against overcharging is that the average ledger clerk will so economize lines that no more will be used than necessary for the work passing through the account, but even with this protection in favour of the customer, it is extremely difficult, and almost impossible to make customers understand what is at the best an intricate method to them of arriving at charges. It can, however, be made use of to indicate to the customer, if desired, the minimum balance he must maintain in order to avoid charges.

It should be borne in mind that the total amount of commission charged at an average-sized branch should be calculated to balance with the expenses of running the branch; this leaves free the interest to be charged on advances, which

¹ This calculation will require to be varied with the size of ledgers in use and the expenses of the branch. It is only intended to be an example of a working basis.

should then coincide with the figure returnable to Head Office as profit.

In the country, and particularly in the Midlands and North of England, the practice is to allow interest on the nightly balances of current accounts at a low figure, say, 1 per cent or $1\frac{1}{2}$ per cent, and to charge a turnover commission at the rate of, say, $\frac{1}{2}$ per cent on all drawings out of the account. The amount of work which this entails is frequently out of all proportion to the return it gives, as interest decimals have to be worked and checked on every account, however fiddling, and after conversion into sterling the turnover commission has to be deducted. The result, however, is merely an arithmetical matter, allowing of no argument with the customer; but there is a growing tendency to whittle this system down by getting as many customers as possible to fall in with the fixed charge system as opportunities offer.

Where this has been possible, the ledger should be marked with the arrangement, partly to avoid it being overlooked or wrongly applied, but also to obviate unnecessary work with redundant decimals.

It can be taken as almost axiomatic that no branch manager will be able to satisfy all his customers perpetually regarding their charges. The most that can be done is to develop definite arrangements—and stick to them! One of the most popular lay ideas on banking is that banks welcome accounts because vast profits are to be made out of spare balances. Broadly speaking, this is perfectly true, but it takes a deal of explaining in many cases that the size of the balance needs to be much above popular repute to make it a business proposition. A discussion of economic principles is rarely profitable with customers, and the really strong manager is he who is prepared to allow unremunerative business to go past him, thereby increasing the return from that which he retains. Regard must, of course, always be had to the future of any business which it is proposed to let go, but it must not be overlooked that business can be bought too dearly.

Charges on other classes of business will normally be a matter of arrangement. Discounts are settled at market rates, although in certain areas it is customary to make a percentage commission charge for "booking." Commissions and profits on foreign business, on Stock Exchange business, and on miscellaneous items, such as introductions to the bank's Income Tax Department, Trustee and Executor Department, etc., should not be omitted; and careful records need to be kept in memoranda books to see that these oddments are not overlooked.

Handling of Staff.

The manager is responsible in most banks for all the staff in his branch. In a small branch it is a comparatively simple matter to get to know each member of the staff, and to be able to form a really accurate opinion of his abilities. In a larger branch this is more difficult, and reliance in such cases will almost necessarily have to be placed on the sub-manager or the accountant. Whatever the position, it remains that on the reports of a manager depends in a large measure the future of most of the junior members of his staff, a responsibility which, it may be said at once, is usually fully realized and undertaken fairly.

Whether members of a staff should see reports made upon them is a point around which much argument has centred. When the writer joined the Army in 1914 secret reports were the order of the day, so far as commissioned officers were concerned. By the time he left in 1920 these had been entirely abolished, and no report made on an officer could be received higher up the command unless it bore the officer's signature and a statement that he had no comments to add. So far as he is aware the Army proceeded very well under the changed regime, and there would appear to be no reason against an extension of the idea into banking formally. It may be added that even the adoption of a new regime in the Army did not eliminate oral communications, which would appear to be still available in banking.

It is a growing habit amongst managers to show their reports privately to members of their staffs, and probably the growth of this practice will best be fostered by letting the idea penetrate gradually.

It should be kept in mind that a manager who invariably renders fulsome reports over every member of his staff runs the risk of every such report being discounted in Head Office on this account; similarly, he who invariably returns poor reports has to be dealt with in the contrary direction. In the first case good men are liable to be written down, whilst in the second poor men obtain an unfair raising up. The happy medium is doubtless not easy to attain, but provided an unbiased mind is maintained—no easy matter, be it noted—justice will be served in the long run.

It may also be noted that inspectors report on individual members of the staff in some banks, whilst in other cases travelling representatives of the Staff Department visit the branches for the express purpose of reporting on the work of the staff. In this and other ways checks are imposed on managers in their reports on their staffs, in addition to which, as men move from branch to branch, reports are received from several different managers about each man, all of which is taken into account at Head Office.

Managers can also be divided into two classes on another classification. One group never let a man go from their respective branches if he is a good man; the other never let anyone go to whom they have become accustomed, be they good, bad, or merely indifferent. The manager who puts any obstacles in the way of a man's moving is hardly playing fair, although it must be added that the power to block a move is nowadays becoming restricted. There are, however, many managers in every bank whose boast it is that they have trained more managers than the average. Such men have served their bank to the fullest, and they will usually be found in command of excellent businesses themselves.

To the branch manager the staff looks for lead and guidance on other professional matters. Attendance at local meetings

of the Institute of Bankers and, at the least, membership of that body should be aimed at by all managers, even if only by way of encouraging the younger men.

The knowledge that the manager takes an interest in these affairs, that he will not lose any opportunity of pushing his own staff forward, and that his reports on members of his staff are carefully undertaken, will go far towards developing a contented staff; and a contented staff means better work, which, in turn, leads to better business in the long run.

CHAPTER III

THE BRANCH ACCOUNTANT

" We do all the work," said the subalterns."

A London Scottish Marching Song

As a branch increases in size there comes a point where the branch manager can no longer be expected to handle the dual tasks of getting business and doing the routine work connected therewith entirely on his own. The natural and obvious form of demarcation is to set the manager free to conduct the business-getting side of the work, and to furnish him with expert assistance to see to the routine work internally. It is also unwise to keep a manager so overloaded with supervisory work that he cannot give to the customers the undivided attention which they naturally regard as due to them.

The officer so supplied is sometimes known as the "Chief Clerk," from the fact that, whilst not a manager, he is a cut above the general run of the staff. In other places he is known as the "Accountant," from the fact that his job is to see to the book-keeping side of the office, whilst the manager initiates and is responsible for the policy side. Despite this, it remains that the manager must inevitably keep in touch with the routine work from time to time, for, apart from the fact that the whole of a branch is the manager's undivided responsibility, the idea of a fancy figurehead at the top of a business who can be paid to think rather than to do is now quite exploded. No one can better see new and more efficient ways of carrying out old tasks than the man whose job the old way is; and, whilst the manager may and must delegate much of the routine work, he must retain some sort of oversight on it right through. How much or how little should be retained by him will naturally depend on circumstances.

The accountant, besides being charged with the routine running of the daily work of the branch, is also normally expected to act as an informal sort of assistant manager. In

ORGANIZATION OF A BRANCH BANK

the usual run of things new managers are appointed from proved accountants, and the rank is therefore usually regarded as a probation ground for later appointment. Consequently, the accountant will always be keeping a weather-eye open on the way the manager carries out his duties, gathering experience which he will hope to be in a position to use in a branch of his own at no too distant date.

It must not be overlooked, of course, that in a smallish branch the appointed manager will himself undertake the duties set out here as falling to the lot of the accountant, possibly in the very smallest of branches he will act also as a cashier. In the largest branches the manager will have assistants, deputies, and other helpers, who will share with him the managerial functions and rank above the accountant of that branch. Nevertheless, the jobs remain fairly constant, and any grouping or subdivision of tasks amongst several separate individuals should not allow one to lose sight of the true position.

Like the manager, the accountant must be entirely familiar with his own bank's general instructions and routine orders. Similarly he must be completely conversant with the general form of routine laid down by the bank, and never be at a loss as to how to deal with an entry straight away.

His position is also sometimes more delicate than the manager's in dealing with the junior staff, for the manager is always in his background as a potential court of appeal if a junior thinks himself aggrieved over any small matter. He is responsible for the allocation of tasks, and if he has the confidence of his staff, he not only finds things get done a lot easier, but, through having this confidence, he is possibly sometimes in a better position than a manager can be for judging a man's capabilities, and can thus afford his manager valuable guidance when reporting on an officer has to be done.

Forward Planning.

A great part of the success of a successful accountant is due to ability to detach oneself from the immediate day and

visualize the work for two or three weeks ahead. By skilful forward planning of routine work, much can be done at the middle period of each month to assist the inevitable rush over the month-end, or whatever the local pressure period may happen to be. In this way the smoothing out of the work-cycle helps the staff, and usually they are not slow to respond to such guidance.

Forward planning not only calls for some degree of vision, based on experience of course, but for a certain amount of prepared data. It is more important that no one should be standing about waiting for work than that no one should be rushed off their heads. Nothing but systematic planning can avoid this state of things, and the time spent on systematizing a branch will earn handsome dividends. A branch in which each officer finds that he has about as much to do as his neighbour will run more smoothly than one about which such cannot be said. From time to time, changes in the business will call for a re-allocation of duties; and without some sort of system committed to paper, work gets out of step without anyone being really the wiser. Routine work also tends to deaden one's interest in affairs sooner or later, and internal changes around the office not only afford training for the younger men, but keep the office bright and cheerful. In this connection, despite the many banking traditions which regard one job as being senior to another, it is a very good thing if this tradition can be kept down to the lowest proportions. If a man who has been posting ledgers for a year feels that he is losing status by going on to pass-books for a time, the chances of the pass-book clerk seeing something of ledger work are remote. If this status fetish gets too firm a hold, the junior end of the branch will rapidly stagnate, bringing loss both to the branch and to the individuals concerned.

Time Schedules.

The most important part of the accountant's daily work is to see that each stage of the work progresses on a level with the other portions. Without some system on paper it is a

matter of difficulty for the accountant to see at a glance who is momentarily overwhelmed with work and who is standing easy. The smoothing out of such hills and dales can be successfully done only by having prepared a time schedule of everyone's work and every daily duty in the office.

A specimen is given on page 43. In practice, the outline will best be done in ink on a large sheet of stout cardboard, whilst the names, and perhaps the times, can be filled in with pencil. In this way, temporary alterations due to holidays, sickness, or unexpected pressure of work can be made without calling for further sheets of cardboard. In some offices the work will call for different time schedules on different days of the week. This only needs more than one card for the idea is quite as elastic as may be required. Apart from this idea enabling the accountant to see that the work is going on satisfactorily, the individual members of the staff are able to see what is expected of them—and of their neighbours!

It is a sound plan when starting such a schedule to make it experimental only for at least the first two or three weeks. Whether the staff should know that such a schedule is being drawn out depends on a number of circumstances which need not be detailed here, but before it is finally adopted as a fixed plan it is very wise to see that everyone is agreed that the scheme is a practical one as drawn.

The specimen schedule was designed for a fair sized branch in a provincial town. The First Cashier was engaged very largely on duties other than the taking of credits over the counter, although he assisted in this. Three cashiers filled the counter with the First Ledger Clerk acting as a relief cashier when required. This First Ledger Clerk was not entirely engaged in posting ledgers. He was regarded as being in charge of the ledger desk, posting a small section, and keeping himself available for this control and counter duties. The two other ledger clerks occupied their whole time on ledgers.

The remainder of the staff, nine juniors, shared the remaining duties of the office, which were split as shown. The

Hours	First Cashier	2nd & 3rd Cashiers	4th Cashier	1st Ledger Clerk	2nd & 3rd, etc. Ledger Clerks	Pass Book Clerks	Waste Book Clerks	Juniors
9 to 10	Post	Calling back previous day's Ledgers			Sorting London Clearing and Balancing Check Ledgers	Entering previous day's work in Pass Books etc.	Listing London clearing, etc.	Odd duties
10 to 11		Counter	Paying London Clearing	Posting London Clearing			Sorting London Clearing, balancing, etc.	Waste Books
11 to 12			Paying Local Clearing	Relief Counter	L L L	L L L	L L L	L L L
12 to 1	L	L	Counter	L	L L L	L	L	L
1 to 2		L	L	L	L L L	L	L	L
2 to 3		Counter		Posting Local Clearing and First Credits		Waste Books		Check Ledgers etc.
3 to 4	Balancing		Unpays	Crossing Check Ledgers		Remittances		Balancing
4 to 5		Examining Remittances		Posting Last Run				Post

WORK CHART

calling-back of the previous day's work and the writing of the pass-books were held over to the morning.

With some such schedule before one, changes in the duties of various members of the staff can be made with the greatest ease.

In studying the schedule it will be obvious that certain jobs will overlap. For example, the remittances would be started before all the waste books were completed, and the cashiers' routine examination of the cheques in the remittance would be started before these were completely listed and agreed. A certain amount of give and take is called for, but it is submitted that an approximate system is better than no system at all.

Work Schedules.

Apart from time schedules, each member of the staff should have a card prepared bearing his name, detailing in the fullest degree every task which falls to his lot. The most minute details should be recorded on these cards, and one of their values is that things are not so likely to be missed during sudden sickness or holidays. When this matter is thoroughly gone into it is sometimes surprising what small tasks there are to be done. These cards also assist inspectors at their periodical visits to get right away to the member of the staff responsible for any given task, thus simplifying their work and enabling them to avoid troubling the accountant with constant queries. A specimen form of work card is shown on page 45.

As a variant of the Work Schedule and the Time Schedule idea, a chart can be drawn for each post in the office after the manner of the specimen shown on page 46. It is a matter for individual decision which idea is utilized, the vital point being that the system in use is actually reduced to writing.

The day's work should be planned so as to be brought forward throughout the day on parallel lines, everyone pushing forward a little bit through the day. At the close of business, if this is worked out properly, all the staff should be finishing

SPECIMEN WORK SCHEDULE CARD**FOURTH CASHIER****DAILY DUTY**

- 9 to 9.45. Call back ledgers 4, 5, and 6 with second Ledger Clerk.
- 9.45 to 10.30. Pay London Clearing (assisted by second and third Cashiers if available).
- 10.30 to 11.15. Counter.
- 11.15 to 12. Pay Local Clearing.
- 12 to 1. Counter.
- 1 to 2. Lunch.
- 2 to 3. Counter.
- 3 to 3.15. Settle Unpaid with Accountant and Manager.
- 3.15 to 4. Balancing Cash.
- 4 to 5. Examine Town and Metro. Remittances. Assist balancing day's work.

OCCASIONAL DUTIES

Keep record book of Credits Opened by Other Branches.
Check Decimals on Deposit Accounts "A to K."

TIME SCHEDULE IN LADDER FORM

FOR LEDGER CLERK NO. 2

A.M.		
9.0		
9.30		Call back with Cashier 3. Ledgers 7 to 13 inclusive.
10.0		
10.30		Sorting London Clearing. Writing Check Ledgers 14 to 19. Balancing.
11.0		
11.30		Posting London Clearing. Ledgers 1 to 6.
12		
P.M.		
12.30		Lunch.
1.0		
1.30		Posting Local Clearing and First run of counter work. (Entered in Check Ledgers by juniors.)
2.0		
2.30		Assisting Check Ledgers, with Second run of counter work.
3.0		
3.30		Posting second run.
4.0		
4.30		Final run. Clearing up. Assisting Branch Balance, etc.
5.0		

their jobs about the same time. Obviously, this is not always possible, but as an aim to work towards, it is eminently desirable.

It is also obviously impossible to set out in a work of this kind a daily chart for all types of office. Variations are so wide between bank and bank, and even between branch and branch of the same bank, that even a large number of specimens would not cover the entire field. All that can be done is to mention the need for such planning, and leave it to individual accountants to make their own charts. That such charts should be made is, however, essential, and that they should have their details reduced to writing is vital. The Specimen Time Schedule given provides a suitable basis from which to work.

Starting the Day.

The first job of the accountant on arrival in the morning will be the opening of the incoming mail. A few extra big offices will run a department for this in charge of a senior official. In the main the work is performed by the accountant, and in any event he will require usually some assistance where the mail is at all heavy. Such assistance should be given under the accountant's eye, and he should at least run through everything after the letters have been opened.

The importance of getting this work out of the way at the earliest possible moment cannot be over-stressed. The accountant should, therefore, aim at seeing this through straight away, and routing the various items off to the sections of the office at once. This enables members of the staff to see what lies in front of them at the earliest possible moment, and they can then plan their section of the work accordingly.

In most offices the greater part of the mail will be of a routine nature. Advices from other branches and from agents for customers' credits will comprise a large section. Such entail little attention. Cheques being presented direct for early payment also usually cause little concern, although sometimes an odd one may have to go aside for the manager's attention.

Of the remainder of the mail, some will have to be left for the manager; the routine letters can then be attended to by the accountant. This should be seen to early, so that the typist gets something to go on with at once, thus spacing her day out to better advantage. If her routine work is out of the way by the time the manager requires her services, she can better give him her undivided attention.

Arising out of the mail set aside for the manager, possibly some data will be required by him. If this can be seen by the accountant and ordered in good time, the manager can get a good start at his work without delay.

Many branches, especially in urban areas, get a number of collections on other banks, both documentary and clean bills. These should be seen to in good time, so that the messenger or junior clerk can be out on his rounds as early as possible. This not only gets the work of the office forward, but affords an opportunity of catching people in offices before they get off on their work. It also enables the messenger to call earlier for the resultant payment at a later hour of the day, avoiding some rush to catch Clearings where this is necessary.

The Main Office Diary.

Having seen so much of the day's work started, the accountant will then turn his attention to the things which require to be done during the day as a result of items previously in the office. To ensure that nothing gets overlooked, a card index diary is essential. A simple form of diary can be kept in a stout box containing guide cards numbered from 1 to 31, and lettered from Monday to Saturday, and from January to December. Such a diary cannot contain too much. *The aim should be to keep it as full as possible rather than to avoid making entries.* In a large office the number of cards in use will inevitably run to some hundreds, whereas, at the other end of the scale, one card for each day will probably suffice. Without such an aid advance planning of routine work is impossible, and such a card diary is the normal equipment of almost every commercial office to-day.

It is important to see that cards are not abstracted from the box and removed from the accountant's desk. If necessary, notes may be made of things to be done, but the accountant should keep the card before him until either the job is reported as being done or the accountant sees for himself from entries in the work that this is the case. Before the day can be regarded as being ended, all cards should have been returned to their appropriate places ready to come up again in their turn.

SPECIMEN CARDS FROM MAIN OFFICE DIARY

15TH EVERY MONTH

Send extra statement of account in duplicate to Messrs. Brown & Co., Ltd., addressed "The Secretary" and marked "Personal."

Return of accounts transferred to other banks during previous month for H.O. to-morrow, 16th.

Start making out Standing Order entries for next month.

Advise Jones Brothers (1930), Ltd., if their account is not £1,000 in credit. Advice to Chairman, marked "Personal."

Income tax vouchers for all dividends received in previous month to go to Mrs. F. R. Green by post.

Advise Chief Foreign Department of total to be claimed for collections effected for them during period from 1st to 14th instant.

22ND APRIL AND 22ND OCTOBER

Return of overdue bills (Form 182 in File A cupboard) to reach H.O. by 24th instant.

Advise Graham & Sons, Ltd., of detailed charges to 31st March or 30th September. Address "Secretary" and mark "Private."

The Accountant's File.

In addition to the diary of cards, the accountant will also usually require a further case containing filing folders numbered from 1 to 31. In this can be kept papers and other packets which need to be before his eye daily. This is a form of portable filing cabinet, and its purpose is to avoid having a lot of loose papers flying about the desk. Many makes are on the market, and no difficulty will be experienced in getting a satisfactory one. The only point which requires attention in dealing with a case of this kind is to see that papers are not held in it longer than is necessary. It should not be regarded as a substitute for the central file of the office, but it will be found convenient to hold papers which require attention without fail "to-morrow."

In this connection may be mentioned the very bad habit of keeping letters out of the central file. It should be a rigid practice that all letters are returned to this file the same day as they have been taken out. If necessary, memoranda can be made of things needing to be kept in view, and in this connection a sheet of paper with such matters set out is helpful. It will be the duty of the typist in a branch large enough to have one to keep such memoranda running from the letters she dispatches. Usually the manager or accountant, when dictating a letter, will point out that he wants it mentioned on his memorandum sheet, whereupon the typist will duly place on the sheet the name of the customer, the date, and a short note as to what is to be looked for. If necessary, the complete folder from the central file can be had out when the matter comes up later. In the meantime the central file is known to be complete, and thus papers run less risk of being mislaid.

It will also be a part—and even the most important part—of the accountant's duties to see that his manager's requirements are anticipated as far as possible, and otherwise to see that orders are carried out promptly and efficiently. The bank generally has to rely on the branch managers furnishing it with adequate data on which to base decisions, and in just

the same way the manager has to rely on the details which the accountant furnishes to him.

In some cases the accountant will regard it as part of his regular duties to see to the obtaining of such data himself, but this is not a wise practice in all cases. Normally, it may be said that the less actual work the accountant does himself the better able will he be to control the work which the rest of the staff are doing—which is really his job. He must, however, be sufficiently conversant with everyday detail in the office to be able to survey data prepared for returns to assure himself that it looks right on the face of it. He should be able to spot obvious "bloomers" out of hand, and should be prepared to make small checks here and there to satisfy himself as to the ostensible correctness of the data shown up to him. He will naturally place direct responsibility on some definite member of the staff, which can be done by obtaining initials on to the rough sheets. The work of getting out data for periodical returns is facilitated if these are accurately charted in the Main Office Diary and provision made for the details to be kept running from day to day or from week to week all the year round. When the actual date comes round for returns to be made, a system of this kind enables them to be dispatched with ease without dislocating the general routine and without having to work overtime.

Dishonouring Cheques.

No part of the accountant's duty is more important than that connected with the payment or refusal of cheques. The hours for passing returns through the Clearing House or returning them direct under local arrangements must be carefully noted. Those cheques about which the paying cashiers or ledger clerks have any doubts should come in the first place before the accountant. The more he can eliminate, the less will remain to take up the manager's time, and in any event the accountant should so plan the work that he gets the "Query" cheques in front of him in good time to allow the

manager as long as possible to come to any decision about the ultimately dubious ones.

The margin which should be required must be worked out in each particular instance, but it should be planned beforehand and noted on the Time Schedule of the office, so that it is kept in the foreground.

In planning for this margin of time, attention will naturally be directed to the lay-out in general of the work of the office. In some cases the Clearing is cancelled by the paying cashiers before it reaches the ledgers and is sorted into alphabetical order. In other cases the sorting is done before the cashiers touch it. The deciding factor is the amount of time available for each group. If the office is arranged so that the cashiers are not fully employed before the time for opening (in a country branch, of course), it will be as well to let them have the Clearing unsorted. It is, naturally, better to have it sorted first of all, as a paying cashier then sees the whole of a customer's drawings at once. In a country branch the early dispatch of the London Clearing is most important. In a London branch where the Clearings are not to hand until later in the day, different considerations apply.

The important point to note is that, unless such Clearings are dealt with and cancelled at the earliest possible moment, the important work of considering the dishonour or otherwise of cheques cannot be got at within reasonable time. Nothing deserves greater care than this question, for wrongful dishonour frequently involves a lawsuit with its attendant expense and waste of time, and accidental dishonour involves very frequently all this plus the loss of desirable business.

Balance Time Work.

At no period of the year is the accountant's work tested more severely than at balance times. Ideas for moving the usual balance times to other periods of the year have been mooted from time to time with a view to relieving the congestion of two rather desirable periods, but these have petered out. In fact, the two periods, June and December, are

not so bad as might be supposed. June is a fairly quiet month, and early December is not overbusy as a rule. This provides two fairly slack periods for preparation, and it is this preparation which is the all-important part of the task.

Preparation should begin well in advance of the actual balance date itself—six weeks is not too long, and a complete chart of all duties should be prepared. These duties should be allocated to individual members of the staff, and dates named for the completion of each set of duties. The accountant will retain a blank schedule ruled for names vertically and dates horizontally, and by means of ticks the progress of each section of the work can be seen at a glance. The value of such a Time and Progress Schedule becomes apparent when an office is ravaged by, say, an influenza epidemic, or anything which acts similarly in upsetting the level running of the office.

It will be apparent that in a London branch a number of operations will not be required, but the following schedule is based on the work of a country branch, and can be adapted as desired. The system in use in the country of working decimals on practically every account, allowing interest and off-setting this with commission on turnover, is the one for which this schedule was first devised.

The blank schedule will be placed on the notice board or the accountant's desk, and each member of the staff on completing his allotted task initials in the appropriate column. In a small office such detail may not be thought worth while, but in a large office it is essential. Even in a small office it has its uses and will be found helpful. It should be noted that the schedule given here is only by way of an idea for adaptation to local circumstances. The rule for working overtime should be that any member of the staff on completing his or her allotted task to date can leave. To operate such a system it is essential that general agreement be made to the original schedule of duties, so that no one may feel aggrieved later. Naturally, if heavy pressure falls unexpectedly upon

certain members of the staff for unforeseen reasons, variations may be needed; but the central aim of handing out quotas should be adhered to as far as possible.

The accountant must necessarily have had considerable experience in working through a balance himself, and also a very complete appreciation of the capabilities of each member of his staff. Given these two attributes, he should be capable of allotting the work so equitably that individual members of the staff should be able to finish their quota each day about the same time. Some variations will obviously occur, the worst difficulty being to assess the amount of time anyone can find during the day wherein to sandwich small bits of balance work in advance. For example, a ledger clerk can often find an odd ten minutes or so in which to push something forward, whilst a cashier may be fully extended all day long on the counter getting no chance for odd work until the close of business. *Per contra*, the ledger clerk may be full up all day, whilst a cashier may have a few minutes now and then during lulls on the counter between rush periods. Only local knowledge can get over this sort of thing, and so long as the point is appreciated nothing further need be said here about it.

One way of obtaining some sort of uniformity is to enact that no balance work is to be attempted by anyone until the work of the day is cleared. This applies more especially to the larger offices, and is sometimes difficult to enforce. It should be borne in mind that not only should equal justice be done all round the office, but it should appear to be done also!

In the Balance Time Schedule shown on page 55, column 11 is the vital one for balance night itself. Column 10 must be arranged for the evening of the previous working day, so that when the staff leave that night the accountant knows that nothing can go wrong with his balance except in one day's work, thereby limiting the field of error at the vital moment. The gap between columns 10 and 9 may be anything as desired, but it is suggested that it should not be too

long. At the June balance it may very well be only one night, whilst at December, having Christmas in view, it may be much longer. If this be the case, it is suggested that an additional balance be tried for each ledger after the charges have been posted, but before the final trial balance, if this be not thought to be redundant.

There need only be one night's interval between each column, with the exception of columns 2 and 4, which always require more time than the others. At the June balance this means bringing forward the start of the routine work eleven days before the 30th June, whilst at December it means this margin plus whatever gap be thought fit to allow for Christmas. In general, it really makes little difference how far forward the start is brought, provided a clear line of demarcation be made. This is the purpose of the column headed "Red Ink Casts." Each ledger account should be cast across in red ink, i.e. debits, credits, and decimals. All entries after this point will be carried to the subsequent half-year, and the figures in red ink show plainly how far the accounts have been charged. It is extremely important that the whole of the ledgers be red ink cast right through the office on one named day. It is a very general experience that when proper explanations of this practice are made to customers no demur is made, for one half-year balances with another in time, and it is, of course, only the very largest accounts on which it is likely to show in the calculations. London branches with fixed charges are not affected by this, but they can suitably work their loans up on these lines.

There remains to be accounted for the oddments left outstanding at the end of each half-year after the red ink casts. In the figure columns of the ledgers only the total of debits not charged in the previous half-year's commission requires to be brought down, which can be done in red ink at the top of the column of the current half-year. The final calculation for the decimal columns will have been approximated in the previous half-year. For example, were the red ink figures to be done on the 22nd June, the balance on the account at that

day would be multiplied by 8, being the remaining number of days to account for to complete the half-year. A simple glance at the actual working of the account during those eight days would show whether it was worth while reopening the transaction. The balance might have been, say, £100 on the day in question. Multiplied by 8 gives only 800 decimal products, which at 5 per cent comes only to about 2s. Should the difference appear large enough to warrant reopening the transaction, the necessary adjustment can be made in red ink in the decimal column, to be charged or allowed, as the case may be, in the next half-year. Similarly, with turnover commissions, the practice is to charge out in level hundreds. For example, an account with a turnover of £628 at $\frac{1}{2}$ per cent would be charged 17s. 6d., or commission on seven hundreds. The obvious justification for this is that the $\frac{1}{2}$ per cent starts to run on the first drawing, and so on in each hundred. If, then, the turnover remaining after the red ink casts were no more than, say, £40, this would already have been charged for, and there would be no oddment left to account for. In this way it will be found by experience that the difference between starting early and approximating, and holding back in order to work exactly, is very small—and the value of getting the work ahead is great.

Columns 6 and 7 also call for some small comment. In the country where interest is both allowed and charged on current accounts, it is necessary to extract these figures separately from the ledgers in order to be able to pass detailed figures through the Profit and Loss Account. Such figures are usually extracted into books or cards and cast there, the totals of each section being added to the Check Ledgers to arrive at proper figures against which to balance the respective ledgers. There is here a good chance of error creeping in, and the following system is suggested.

The details should be extracted from the ledger accounts in full; debit and credit interest and charges in separate columns, each column being cast to obtain grand totals. Each ledger should then be gone through again by another clerk, who will

extract the net figure from each account, debit or credit as the case may be. The net figure arrived at finally in this way should agree with the net figure extracted in the detailed figures, and the risk of double error in working a customer's net charge or allowance being offset by a casting error in the charges extract will be reduced considerably.

It may be said that this system is gradually being replaced by other methods, but so long as it remains in the quantity it does, bankmen will have to pay due attention to it. In this connection it may be pointed out that in no phase of banking routine does old detail hang about longer. No more fruitful field presents itself to a live bank accountant for eliminating redundant work. The leading question "What good is it—why do we do it?" can profitably be asked at many stages of balance time work, and if no one knows the answer, cut it out, and await results. If it is good, the matter will soon be raised. If it is, in fact, redundant, no one will be any the wiser.

The moment the work is balanced on balance night, the first task should be to get the balances brought down ready for a clean start on the following morning. The faster this can be pushed on, the better, and to some extent it is here that the value of so many early trial balances lies prior to balance night. No pains should be spared to ensure the ledgers making record balances on balance night, so that this bringing down may be got forward. Where new ledgers are being opened, this is particularly important.

Just one final hint. There is obviously no time at the balance to do fancy ruling of lines in the ledgers, but it is important that the ledgers should be ruled off. Not only is this desirable from a tidiness point of view, but it makes for clarity in dealing with the ledgers subsequently. Such ruling may quite properly be left until the balance rush has died down; but so that it be not overlooked, a final column appended to the Balance Schedule is no bad thing. Such ruling may further be done by rubber stamps, which are quite adequate to the purpose, although they need careful handling.

Responsibility for Defalcations.

It must not be overlooked that a large part of the accountant's duty is concerned with seeing that everyone keeps on the rails. The honesty of an office is primarily a managerial responsibility, but the special place of the accountant in the system naturally involves his being in a better position than the manager to see that nothing is allowed to go adrift.

Strict attention to a carefully organized office routine is essential to the proper discharge of this very important duty, and, in particular, strict adhesion to the various separations of particular parts of the day's work is necessary. Dual control must be arranged over all phases of the work, and whilst this may properly be provided for by the manager, the day-to-day carrying out of such arrangements is essentially an accountant's duty.

This duty is best attained by continual rotation of tasks throughout the branch, and where the size of the branch or the nature of the business does not permit of this, odd men should be moved for odd days from time to time. Such rotating of duties should, however, not be made openly, as few staffs care to work in an atmosphere of continual suspicion. The rotation can quite properly be arranged for as part of the work of continual training of the more junior staff, and full co-operation may be best attained for this reason.

CHAPTER IV

THE CASHIER

Polonius "Give him this money and these notes, Reynaldo."
Hamlet, Prince of Denmark Act II Scene I
W SHAKESPEARE.

THE cashier is the highest grade of routine worker in a branch bank. His most obvious task is to stand (or sit) at a counter and receive cash and paper titles to cash from customers for the credit of their accounts, and to pay them out such cash as they desire to withdraw from their accounts. From the very nature of this daily contact with customers it follows that the cashier is the member of the bank staff who has the best and most personal knowledge of the customers, and the value of this knowledge cannot be over-estimated. It should, for example, usually be profitable for any branch manager to listen attentively to what his cashiers have to say regarding a particular customer. The manager normally sees customers only in his room, when they are naturally on their best behaviour, or outside the bank, where they may not display any behaviour at all! The cashier, on the other hand, sees the customer in varying circumstances from time to time; he engages with him in conversation on business matters; and, generally speaking, is in a first-rate position to form an opinion about him.

Also arising from this daily contact, the cashier naturally comes to be the mouthpiece of the bank. To a very large section of bank customers the cashier is, in fact, "the bank." When any problem of a financial nature arises—connected with the banking account or not—a majority of customers first turn to their bank for advice, and the individual they usually see—and always see first, in any event—is the cashier.

Appointment of Cashiers.

The importance of the post cannot, therefore, be over-estimated. In some banks this importance is emphasized by

making all cashiers definite "appointments." Promotion to such posts is advised by the secretary of the bank in the form of a letter of appointment emanating from the board of directors. It is not necessary that such appointment should entail a personal interview, although this was the normal pre-War practice, but the emphasis of making the post an "appointment" is of value.

Even where this practice is the vogue, it is considered desirable that a certain proportion of the seats at the counter in any given branch should be left free from definite "appointment" to provide room for more junior members of the staff to obtain necessary experience. If, for instance, there were four tills on a given counter, no more than two should be subject to definite appointment, leaving two as a "float" for juniors to fill for odd periods in rotation.

It is, of course, essential to keep in mind that members of the public dislike too much change on the counter. They like to get used to a certain cashier or cashiers, and it is often found that a newcomer will have a very light till until the customers become used to seeing him and recognize him as a regular cashier. As the service of the public must remain paramount, chopping and changing must not be overdone. Banking remains still a personal business.

Qualifications of a Cashier.

The qualifications for the post of cashier, when reduced to writing, might make it appear as if only a race of supermen could adequately fill the bill. The cashier must, for example, be an expert at practical banking. He must also know enough theory and law to enable him to keep his bank on the right side of any given transaction. This is apparent when the cashier is proposing to reject a transaction, but is not quite so clear when the question is one of acceptance. The cashier who is about to reject a transaction, e.g. the refusal to take a certain cheque for the credit of a particular account, will not finally refuse such a cheque without previous reference to his manager or some other senior official. He will, however, accept,

without such higher reference, hundreds of cheques in the course of a day, and any one cheque may easily give rise to a lawsuit, with consequent loss to his bank, e.g. an action for conversion.

The cashier must also know a lot about a number of things not specifically related to banking proper. He will most frequently be consulted on Stock Exchange matters; and where the branch is not large enough to run a separate department to deal with this subject, the cashier must necessarily keep himself posted on broad lines to cope with this specialist work. In this connection it may be noted that the cashier is often forced into a very difficult position. Officially, no bank tenders advice on Stock Exchange business. The official attitude is that inquiries will be made of the bank's own brokers and their advice passed on to the customer without responsibility on the part of the bank.

Any cashier of experience knows this to be quite an impossible position to adopt with a large proportion of customers, and the cashier's choice lies between infringing a rule of his bank or getting on the wrong side of a customer. It is submitted that the latter is the more disastrous matter, for, when a complaint is made at some later date by the customer regarding the cashier, it is almost invariably the case that the origin of the bother is never probed adequately.

The cashier is also expected to have a nodding acquaintance with income tax, although here the recognition of the technical nature of this work is more widespread, and it is easier to get the matter passed over to the appropriate department without causing offence.

In addition to all this technical display of learning, the cashier must be capable of being all things to all men. He should be able to hold his own socially with the best of the bank's customers, whilst at the same time he should not have to condescend too obviously to customers at the other end of the scale. The charge of snobbery sometimes brought against bank cashiers is not easy to refute, although it may be said here that such a charge is easily brought, and most

frequently without any justification. Nevertheless, the fact that it is ever made is sufficient for notice to be taken of the matter and for a cashier to keep it before him.

The Cashier and Fraud.

Finally, the cashier is the only member of a bank staff who can successfully put through fraud on his bank. Without access to a till or cash in some way or other, few internal frauds can be carried out, and the cashier must therefore be continually on his guard that he does not facilitate such a thing in any way. It frequently happens that a fraud is perpetrated not by the particular cashier himself, but by the slackness of the cashier who has allowed things to slide, whilst himself remaining entirely innocent of any fraudulent design or intent.

The Chief Cashier.

The senior of the cashiers at a branch is usually recognized, either formally or informally, as having special duties to perform apart from those which fall to the lot of the rest of the cashiers. First and foremost he is responsible for the control of the total cash of the branch. This is a very important duty, as the cash in the tills is the only item on which the branch does not earn something. It is, therefore, his duty to keep the cash as low as possible, compatible with the smooth running of the branch, but he must not run things so closely that customers are inconvenienced in any way.

This adjusting of the cash to current requirements is no easy task, and no rules can be adequately laid down for it. Nothing but past experience coupled with close attention to current workings of the various accounts can supply the necessary data upon which to work.

Some banks have enacted that branches must always keep on hand an amount of cash equivalent to a stated percentage of the liabilities of the branch. This implies to some degree that Head Office is looking to the branches to keep their own books balanced. Whether this is so or not, it is a general experience under this system that branches retain larger tills

than they would otherwise feel called upon to do in many cases, and to this extent the system appears wasteful. Whatever the instructions are they must, of course, be carried out, yet the hall-mark of a good chief cashier is the lowness of his average cash balance. It is probable that every drop of £1,000 which can be attained in this average nightly cash balance means an addition of between £20 and £30 to the branch profits at the end of the year—or the equivalent of an annual rise of a member of the staff.

The chief cashier is also expected to accept some sort of responsibility for the remainder of the cashiers. This does not extend to becoming responsible for their errors, but it certainly goes as far as seeing that they are doing their jobs adequately throughout the day. Further, it is frequently found to be customary for the chief cashier to take a rapid glance inside the boxes of the other cashiers before the strong room is finally locked for the night. An experienced chief cashier can see at a glance whether a box which should contain, say, £800, does look as if it did so. This rough check is not supposed to be sufficient to prevent small frauds, but it certainly has prevented large-scale ones on more than one occasion.

Cashier's Daily Routine.

The cashier, as has been noted, is responsible for taking in for credits cash and paper titles to cash. He, therefore, normally starts his day with a certain amount of cash of various denominations. Systems vary considerably as between bank and bank as to the manner in which cashiers are made responsible for their cash. In one bank each cashier has a stated till, which consists of a book for recording transactions and a box for holding money. Each cashier retains his till permanently, handing over at the close of each day any amounts which appear to be surplus to normal requirements, judged by experience, or demanding from the chief cashier further supplies to make up any deficiencies. In other systems the cashiers retain their posts at the counter, but the

boxes for the tills rotate daily. This is regarded as being an additional check on individual cashiers, but such safeguard is inclined to be illusory where adequate time is not always available each morning for thorough check to be made.

In either system the cashier starts with a stated and known amount of cash in the morning. As credits are received, the cash totals from each are noted in the counter book, and as payments are made in cash these are noted on the other side. At the end of the day the difference between the two sides of the counter book should provide the necessary figure to be added to or subtracted from the commencing cash figure, which enables the cashier to balance his individual cash.

Speeding Up the Counter.

In some systems the cashier is also made responsible for entering in his counter book the totals of cheques received from customers. This would appear to be quite redundant. The object of it being continued is alleged to be that it provides an additional check against items being lost in the office. So far as can be seen, it does not; all that it does is to place responsibility for such loss on the shoulders of a different individual. It appears to contribute nothing against items being lost, and in most cases there cannot be any reason for continuing it other than that it always has been done. The elimination of everything other than cash from the cashier's desk tends to speed up the passing of credits from the counter, for with so many credits—those which contain no cash, for instance—the cashier has no entries to make at all, and the items can be passed straight away to the waste books.

There is in at least one bank a most complicated system of keeping record of the exact form of cash paid out by paper notes, silver, and copper coins. Under this most cumbersome system it is necessary to make an exchange entry should one change five shillings for a bag of copper. It is supposed to be of value in the tracing of cash differences, but the amount of work involved would appear to be out of all proportion to the small value it can possibly have.

Cash Errors.

Reduced to this simplest form, a cashier's daily routine would appear to be quite easy, but it need hardly be said that this is rarely the case. Conditions vary considerably from counter to counter, but one of the best ways of avoiding cash differences is to insist always on taking one's time. Speed will come with experience; in the beginning, accuracy is the most desirable quality. It must not be overlooked that accuracy is a relative virtue. A cashier may make a mistake of "one" during his day's work, and such "one" may be a penny, a shilling, a ten-shilling note, or a pound note. It may also be a "one" in the units column or in the hundreds column. The result, depending upon where the error falls, is out of all proportion to the fault in so many cases.

In practically no banks are "floats" provided for cashiers nowadays out of which they may replenish their tills. The usual custom is that all "overs" must be credited to a dummy account provided for the purpose, and all "shorts" charged against the same account. If at the end of the half-year there have been more "shorts" than "overs," this is charged against the branch profit, whilst if there have been more "overs" than "shorts," this is transferred to Head Office, who place it to suspense against the day when a claim may be tendered against the branch.

It may be noted, in passing, that most experienced cashiers find it useful to run a sort of "float" in an unofficial form to adjust differences not amounting to 10s. Such small differences usually arise in the giving of change and can but rarely be traced—or indeed be worth tracing. Small differences in this way also arise through failure—or lack of time—to check the balance of bags of silver or copper when they are broken for paying out an odd amount. In the long run a small "float" of this nature balances itself out and prevents the passing of too many entries for trivial amounts. It need hardly be said that this practice is quite unofficial in practically every bank, which need not detract from its value.

It may be pointed out that if a cashier is to be wrong in

his cash at all, it is preferable to be short rather than over. A shortage usually means that too much cash has been paid out to a customer or too little taken from one when receiving a credit. Taking too little cash from a customer is fatally easy. In the normal course of things, a customer lists his cash on a credit slip in a stated order, starting with one pound notes, ten-shilling notes, silver, and copper, in that order, the total cash being extended to be cast in with other items to arrive at the full total of the credit. It is a very good practice to insist on starting at the top of this list, and ticking each item as received before passing to the next one. In no other way can a cashier make sure that he has received all the items listed on the slip.

If at the end of the day he should be short in his cash, one of his first tasks will be to run through the credit slips taken by him and examine the ticks against cash items. In this way an omission to take, say, an odd £3 of silver from one particular customer may often be discovered. It is, of course, quite essential that a cashier makes absolutely certain that it is his cash which is wrong and not his book before starting on what is usually a prolonged hunt for a difference.

A shortage occurring through paying out too much cash to a customer is not so easily found. In some banks, cashiers

£1	10		
10s.	5		
Silver	4	15	
Copper		5	
B. Notes	10		
£	30	-	-

are provided with a rubber stamp bearing the various denominations of paper, silver, and copper normally paid out. It is the practice to stamp this blank on the back of every cheque being cashed and to inquire from the customer or payee the denominations of money desired. These requirements

are noted in pencil in the blanks, and the items totalled before starting to pay out on the cheque. In this way it is considered less likely for a cashier to pay out too much on an individual transaction.

It is also important to make certain that the cashier is speaking the same language as the customer. A customer asking for "Five in halves" may mean either £5 in 10s. notes, i.e. £5 in all, or five 10s. notes, i.e. £2 10s. in all; and the same customer may mean different things on different occasions. Continual vigilance is the only way to keep on the right side of such things as this.

Dangers of Cash "Overs."

An "over" in cash may mean several things. It may mean that the customer's requirements, as suggested above, have been misunderstood in favour of the cashier. It may mean that too much has been paid in on a credit; and it may mean that a credit has been taken and the cashier has omitted to tear the slip out of the paying-in book.

In either of the first two cases the damage may come to light through the customer himself, in one case by him finding his wallet lighter at the end of the day than he was prepared for, and in the other by failure to balance his own cash at his shop or elsewhere. It may also be noted here that the greatest danger a cashier runs of being unable to pick his differences up comes from the careless or casual customer. The one who is deliberately dishonest enough to retain a surplus overpaid by a cashier is a very rare being indeed. There are, however, an extraordinarily large number of people who really have little idea how much cash they have in their pockets at any given moment, and such people almost invariably take what the cashier gives them and place it straight in their pockets without counting. It is such people—and they are soon known to the new cashier—who require the most careful watching.

The other main channel for "overs," the omission to tear out a credit slip, is by far the most dangerous. It is open for

the customer to tear out the slip himself and destroy it without saying anything. If he then draws cheques on his account which are dishonoured for lack of funds, he is in a strong position to sue the bank for wrongful dishonour, and possibly get heavy damages. He can produce the stamped counterfoil as evidence that the credit was received by the bank, and there would appear to be no necessity for him to have consulted his pass-book in the present very unsatisfactory state of the law relating to pass-books.

It will thus be seen that an "over" may easily be a very much more serious matter than a "short," and where an "over" is of any size it is sometimes the practice to post up a notice on the desk where cheques are dishonoured so that the fact of an unallocated credit being in the office is not lost sight of.

When a difference occurs, the books are kept straight by the passing of an entry to a dummy account. It is not customary to make the adjustment by altering the actual cash.

It is also the practice to insist that all differences be passed to this dummy account, it being thought probable that if a cashier were to be obliged to make up his "shorts" he would soon take steps to see that he had some "overs" to adjust matters. Most banks consider it wise policy to stand the "shorts" rather than run the risk of this sort of thing happening. It need hardly be said, however, that a cashier who has an undue number of differences either way soon leaves the counter, so that the matter is about as broad as it is long.

Searching for Cash Differences.

In each bank the routine chosen by a cashier who is under the necessity of having to search for a cash difference varies with the internal system of that bank. The following points may, however, be found useful, and a schedule on similar lines can readily be prepared to meet the requirements of one's own bank.

1. All notes and coin to be counted afresh and, if possible, re-checked by an independent colleague.

2. All entries between the cashier and other cashiers to be agreed.

3. Casts of all counter books in the till to be double-checked.

4. Counter books to be agreed with waste book totals where this is possible.

5. All entries in counter books to be ticked up against the actual vouchers themselves. This is irrespective of any previous agreement with the waste books, for these may have made the same mistake, e.g. in the misreading of a bad figure.

6. Casts of credit slips and notes on backs of cheques should be carefully checked, and it should be verified that all items listed on credit slips have been "ticked," as described previously. It is usual to undertake this check whilst ticking the entries as noted above under No. 5.

7. The counter book for the corresponding days a week and a month previously should be looked through to see if by chance there are any regular customers whose names may remind the cashier of lost or mislaid items

8. The wastepaper baskets should be most carefully examined in the case of an "over" for a lost credit slip, and in the case of a "short" for a lost cheque or exchange slip. Whenever a cashier is wrong in his cash on first balance the messenger or housekeeper should be delayed in sweeping-up to allow of this being done.

9. When the cashier has exhausted every avenue, the till should be completely re-checked by a senior officer where the amount in question is of sufficient size. In some cases a report has to be made to a central control of differences over a stated figure, and as this is normally recorded against the cashier, it is most desirable that unnecessary reports should not go in.

Where the difference is of considerable size, it may be thought advisable for all the other cashiers to re-check their individual tills thoroughly. The point at which this should be done is obviously a matter for local consideration; but in a small branch it might be done for as little as £10, whilst at larger offices higher figures would necessarily have to be taken.

Examination of Cheques Received.

The cashier, as has already been mentioned, is responsible all day long for accepting a multitude of items of a miscellaneous nature, and in each one he must exercise a considerable degree of skill if his bank is not to be prejudiced at some later date. He is normally expected to examine all cheques for regularity as cheques, i.e. for dates, double crossings, and so on. Probably the most important routine part of this examination is the studying of endorsements. In some banks this is done at the counter at the time of receipt, and where this is possible it is desirable, for any irregularities can be adjusted on the spot by the customer, and both time and trouble saved. Where this is not possible, arrangements must be made for examination of cheques in bulk later in the day, usually at the remittance desk after the close of business.

Provision has also to be made for the examination of cheques which will not be overseen by anyone after the cashier has passed them, i.e. house debits and cheques for Local Clearing. These must be examined at the time of receipt, and House cheques should be cancelled on the spot by the cashier responsible running his initials in ink through the drawer's signature.

There are no rules laid down anywhere for endorsements, but what is and what is not acceptable as an endorsement is a matter of custom. Custom in this matter has been crystallized to some extent by various writers of banking textbooks and by opinions expressed from time to time by the Institute of Bankers, and embodied in *Questions on Banking Practice*.

It will be appreciated that the time taken in handling "returns" in the Clearing Houses is practically all wasted time. The total percentage of such returns, including, of course, dishonours for lack of funds, is admittedly very low, but it is probable that even this low figure could be still further reduced by additional attention to technical irregularities in the hands of the collecting branches.

Where a particular branch experiences a high percentage of "returns" for such technical irregularities, official notice is

often taken by Head Office, or the matter is mentioned by the inspectors when inspecting the branch. The accountant will doubtless keep his eye on this item from time to time, and should the numbers of such returns tend to remain high, it is not a bad plan to enact that each cashier should initial the Returns Inwards Register for each return arising out of an irregularity which he might have seen by more careful attention on the counter. Experience leads one to assert that this is a most effective way of reducing the volume of returns.

Reference should be made to one or other of the many books which deal with endorsements in this way, but there is one class of instrument with which bankers are becoming increasingly familiar, respecting which no rules have so far been published. H.M. Paymaster-General acts as a form of banker to various Government Departments, and these Departments issue orders for payment to the public in the form of warrants. The handling of these paper orders gives rise to a lot of confusion in banks, and the following account of the system is thought likely to be of great value to branch bankmen who have to handle them. This Memorandum, which has been compiled from information drawn from official sources, deals with the system of warrants and the methods used in rejecting warrants which cannot be paid for technical reasons. Most branch bankmen will be familiar with the little "reject" slips used by the Paymaster-General's office in this connection, and it is hoped that some account of their use will lead to a smaller percentage of rejections.

Warrants on the Paymaster-General.

The Paymaster-General is, nowadays, always a political officer. He takes no part in the work of the office—his post being, so far as this is concerned, admittedly a sinecure. He is, however, virtually a "Minister without portfolio," who is available for any purpose which the Government of the day may desire to entrust to him—e.g. in one or two recent instances, for miscellaneous work in the House of Lords.

Normally, he receives no salary; but an exception is occasionally made when special work is assigned to him.

In practice, the administration of the office rests in the hands of the Assistant Paymaster-General, who is a permanent civil servant. He keeps in close touch with the Treasury, the office being one of its subordinate Departments.

With a few exceptions (of which the Revenue Departments are the most important), each of the Public Departments has an account with the Paymaster-General, just as a private individual has an account with a bank. (The method by which these accounts are placed in funds does not fall within the scope of this book.)

In making payments, the Departments naturally avail themselves to the full of the banking system of this country. Payees can, if they desire, present themselves in person at the Paymaster-General's Office, Whitehall, and subject to a limit of amount, draw cash there across the counter in exchange for their cheques or "vouchers," as they are technically called. As a rule, however, it is from their bank that they receive the money in cash or credit: the banks send on the "vouchers" to the Paymaster-General's Office, where they are scrutinized in various respects; and the Paymaster-General's Office then pays the banks as representing the payees—assuming the vouchers to be found in order.

The detailed payments made by the Office fall into two broad classes: effective, i.e. payments for current supplies or services; and non-effective, i.e. payments, usually of the nature of pension, arising out of past service: it will be seen from what follows that one case is comparable to cheques drawn by a private individual on a bank, and the other to "bankers' orders" given by him to a bank for recurrent payments like club subscriptions, etc.

The latter class is much the more complicated. When a Department has awarded a pension or other recurrent non-effective allowance to one of its officers, it virtually requests the Paymaster-General to see that he is paid the proper amount up to the date of his death, and that all the conditions

attaching to the receipt of the pension are duly observed. To put the matter in a colloquial way, it is a great convenience to, say, the Admiralty to be able to tell the Paymaster-General's Office: "We have just awarded a pension of £400 per annum to Mr. X; will you kindly pay him at that rate till his death, and see that he does not overlook such necessary formalities as periodic declarations and attestations, statements with regard to his re-employment in public positions, etc.?"

In connection with these non-effective payments there are one or two points which it is important that bank managers should keep in mind.

In the first place, a pensioner's signature on a certain date furnishes the proof of life on that date—the evidence that he has not died before it arrives. While for the sake of convenience and economy pension vouchers are, as a rule, issued to the pensioner in batches, it is essential that he should not sign and date the voucher till that date. The point will be brought out clearly by considering what the position would be if, on 20th March, the pensioner signed a voucher, dating it 31st March, and died at some time between the two dates.

It is further understood that at one time many cases (especially of ex-temporary officers) came to light in which moneylenders had discounted for cash pension vouchers signed in advance—sometimes actually advertising in the public Press their readiness to do so.

Legislation was accordingly passed—see the provisions of Section 37 of the Criminal Justice Act, 1925 (together with similar provisions in the case of the fighting Services and the Ministry of Pensions)—under which, briefly, the holding of a document connected with a civil pension as a pledge or a security for debt is an offence punishable, at the maximum, with a fine of £20 or six months' imprisonment. (The Criminal Justice Act, it should be mentioned, applies to England and Wales; but there is at present no similar legislation with regard to Scotland or any part of Ireland.)

Again, the (Annual) Appropriation Act requires a pensioner at intervals to make a "declaration"—the content of which varies according to circumstances—for which he is provided with a "long form" of voucher; and the declaration has to be attested by a reliable person. The list of persons qualified to attest, which has been drawn up by the Treasury under their statutory powers, includes bank managers.

The declaration and attestation are by no means to be regarded as mere formalities: they play an important part in the prevention of irregularities and fraud, and are part of a carefully devised system based on long experience. While the Paymaster-General's Office attaches importance in all cases to their being prepared in strict accordance with facts, it feels that it should be possible to place a special reliance on certain attestors with professional qualifications, such as bank managers. If, therefore, a bank manager is lax in his attestations—certifying, say, that a pensioner signed in his presence when he did not sign in his presence, or that he signed on 31st March when he really signed on 15th March—he must not be surprised if serious notice is taken of the matter, or even if it is brought formally to the attention of his Head Office.

The case of effective payments is much simpler.

A "voucher" sent by a department to an individual in payment for goods supplied or in payment for current services, etc., is comparable to an ordinary cheque, though it is not a cheque in law; and, provided that a proper discharge is given, there are not many points which are likely to arise in connection with it.

The general position having been made clear by these preliminary remarks, it may now be useful to describe the "rejection slips" at present used by the Paymaster-General's Office when returning a claim—it being, of course, understood that the Department is in no way bound to adhere to the present forms and may alter them at any time if it thinks it expedient.

GEN. 71

DISALLOWED

The long voucher for March containing an attested declaration of entitlement has not yet been presented for payment at this Office.

Until this statutory requirement has been complied with no further payment may be made.

Declarations of entitlement are normally required half-yearly—though in the case of teachers' pensions a quarterly declaration is made. As a general rule, they are rendered in respect of the instalments of pension falling due on 31st March and 30th September respectively, and a pensioner may not claim an instalment of pension in respect of any subsequent period until the necessary declaration has been furnished, e.g. he may not claim the April instalment until the March declaration has been rendered. Too early a declaration will cause the return of the form; and the next slip shows that not only will the declaration require signing again, but a fresh attestation must be added.

182 C.

DISALLOWED

The document has been executed before the last day of the period for which payment is claimed.

The declaration must be signed and attested again, and the form be re-presented for payment, after the expiration of the period.

As already explained, a pensioner's signature on a certain date furnishes proof of life on that date. If it is clear that this rule has not been observed on those occasions where an attested declaration of entitlement is not required, but where the pensioner is merely required to sign and date the voucher

as evidence that he was alive and entitled to the sum claimed on the due date, the following slip is used. (It should be noted that re-signing and re-dating is required.)—

DISALLOWED

GEN. 72

This voucher was presented for payment at this Office on the

It was therefore completed before the due date for payment, and it should now be re-dated and again signed by the pensioner.

Similarly, where any omission has been made in completing the voucher as evidence of life, the following slip is used—

DISALLOWED

GEN. 43

Evidence of life { not signed, not dated.
signed before the *last* day of the month.

The necessary alteration should be made and initialed by the pensioner.

The date of attestation must be carefully watched, as the next slips show. In the case of a pension payable in advance, attested evidence of life and entitlement must not be completed before the first day of the period for which payment is being claimed—

DISALLOWED

GEN. 97

Attested before the first day of the Quarter. The declaration must be again signed and attested.

nor before the last day of the period for which payment is being claimed in those cases where the pension is payable in arrear—

DISALLOWED

GEN. 31

Attested before the last day of the Quarter. The declaration must be again signed and attested

The declaration of entitlement must be completed exactly as it stands, and the following slips indicate two common errors—

DISALLOWED

GEN. 7

No part of the declaration should be deleted. This voucher should be again presented with the attached form of declaration duly completed and attested

DISALLOWED

GEN. 93

The words struck out, marked "X" must be reinserted and initialed.

X"

The first slip is necessary in those cases where the pensioner has (perhaps by inadvertence) struck out the whole of a particular clause in the declaration, and in such cases an entirely fresh declaration is required. The second slip is necessary where certain words in the declaration have been struck out *and it is necessary that they should be restored*

Certain pension awards (mainly widows' pensions) are subject to review in the event of any material alteration in the pensioner's means as ascertained at the date of the award.

Where the private income clause in the declaration has not been completed, the following slip is used—

DISALLOWED

GEN. 90

The clause as to Private Income should be completed (see Note), and the Claimant's initials added thereto.

In the case of widows' pensions, the pension ceases to be payable on remarriage, and the widow must declare that she has not remarried. The next slip is applicable to cases where this condition has not been complied with—

DISALLOWED

9D/125

Clause regarding re-marriage must be completed.

whilst the next two speak for themselves—

DISALLOWED

177 A.

The Year of the Pensioner's birth must be inserted in the space provided in the Declaration.

DISALLOWED

99 G.

If the Pensioner is serving in a Police Force, full particulars should be furnished to this Department. In the meantime no payment can be made.

The attestor must possess the qualification of one of the groups of persons authorized to attest pension declarations

as shown on the reverse of the pension form, and where the attestor's own statement shows that he is not sufficiently qualified (e.g. *where the attestation is signed by a cashier of a bank, whereas a chief cashier only is qualified*), the voucher will be returned as below. In that case another attestor will have to be found, which implies that a fresh declaration will be required also—

GEN. 83

DISALLOWED

The attestor's qualification to act in that capacity does not appear to be sufficient (see back of Form).

In cases which do not fall within any of the foregoing, the following slips may be used. The first implies that the omission may be rectified by the payee alone, and that no further attestation is needed—

GEN. 89

DISALLOWED

The form should be completed where marked
"X" X."

GEN. 30

DISALLOWED

for the reason stated below—

.....
Re-attestation, or the initials of the attestor, will be necessary.

Payments in the effective group are mostly for services rendered or goods supplied to the Department issuing the

draft on the Paymaster-General, and the requirements therefore approximate more closely to those applicable to endorsements of cheques. In the first group of slips given hereunder, the requirements are particularly close to normal banking requirements—

DISALLOWED

3D/130

Out of Date.

Please refer to Issuing Department. (Address at head of Draft.)

The period after which the draft is considered to be out of date is shown on the form—

DISALLOWED

GEN. 52

The receipt should be signed by the person to whom the amount is payable.

DISALLOWED

53

The receipt should be signed as advised *or* reference should be made to the Ministry of.....

DISALLOWED

3D/129

The appointment of a { receiver
liquidator
trustee
should be notified to the.....
before payment can be made.

DISALLOWED

3D/131

As this Order does not bear a stamped impression "No Stamp required," a Receipt Stamp must be affixed and duly cancelled, or reference made to the Issuing Department.

Persons purporting to sign on behalf of others will be accepted only under certain conditions. The following slip indicates some requirements in this connection—

DISALLOWED

GEN. 8

In the case of a Partnership (whether or not the word Company is included in the style of the Firm) the receipt should be signed in the name of the Firm. If a partner or proprietor, so signing, also adds his own name, he must state that he acts as partner or proprietor.

If receipts are signed by an officer of the firm, they must be crossed to the Account of the firm, or the discharge must be guaranteed by the Bank. Otherwise it will be necessary for the instrument of procuration to be produced on each occasion of payment, unless payments are of frequent occurrence, in which case the instrument, when produced, will, upon request, be registered.

The next two slips speak for themselves in the cases to which they relate—

DISALLOWED

3D/132

The signature of the Treasurer is required as advised, or the draft must be specially crossed to the account of the(name of payee will be inserted here).....

DISALLOWED

GEN. 40

As the draft has not been specially crossed to the Account of the Company, an officer signing on behalf of an incorporated Company or other Corporation must state the capacity in which he acts, or the discharge must be guaranteed by the Bank.

In any cases of doubtful discharges not covered by the foregoing slips, the following will be used if necessary—

RETURNED

GEN. 53

with the request that the discharge may be guaranteed by the Bank.

RETURNED

GEN. 18

It is requested that the Crossing Stamp of the Bank through which this Voucher is presented may be impressed upon it.

(This slip applies to non-effective as well as to effective vouchers.)

The crossing stamp is particularly important, as it denotes the channel through which payment has been made, and thus facilitates any reference which may be necessary to a subsequent date. It is also of great use in avoiding any mis-sort of claims at the time of payment.

The use of these slips saves considerable time in the Paymaster-General's Office when returning drafts—as, with certain exceptions, effective claims are paid on the day of lodgment, and it is especially important that the drafts should be

properly completed. But where a draft has to be returned for some reason, which is of infrequent occurrence, and which, consequently, has not been incorporated in a slip, the following is used—

DISALLOWED

98 G.

for the reason noted on the corner.

It is hoped in the interest both of the Paymaster-General's Office, and also of the banks and their customers, that a study of these requirements may lead to a reduction in the number of disallowed warrants or drafts.

Records of Returns.

It is necessary to keep for later reference a record of all returned cheques passing through the branch, and this is usually most conveniently done by a cashier.

The Returns Inward Register records the return of all cheques for which the branch has acted as collecting banker. It is necessary to have a note in this connection of date of receipt of return, date of cheque, name of drawer, name of drawee, bank drawn on (i.e. the bank which has made the return), reason for return, and disposal of the cheque in question.

The Returns Outwards Register is used for all cheques dishonoured by the branch. Similar details are called for as in the case of the Inward Register.

It is most important that these two registers be properly kept up. In the case of the Inwards Register, it is important to be able to refer at a later date where, say, the customer wishes to dispute the time taken in attempting to obtain payment of a cheque, or where there is dispute between the customer and his customer whether there actually was dishonour or not.

In the case of the Outwards Register, it is important to

have a record of a dishonoured cheque, which, not having been paid, will not be shown elsewhere in the branch books. It is also usual to enter in red ink in the customer's ledger account cheques dishonoured for lack of funds.

Credits Established.

Cashiers in most branches are also responsible for a number of small items other than the actual duties of cashiers as such. They are usually charged with attending to the establishment of credits for customers at other branches or at other banks. This is an obvious duty to be allotted to cashiers, for it is usually a cashier who first receives from a customer the request for such a facility.

The books in which credits established in this way are recorded vary from bank to bank, but essentially they are all the same. Provision is required for the following detail—

1. Date established.
2. Name of customer.
3. Bank or branch at which credit is established.
4. Amount of credit This must invariably be stated as a fixed sum, although a credit for "£10 in any one day" is permissible.
5. Duration of credit. It is rare to find a credit being allowed to run more than twelve months, and in most cases it is usually desirable to limit it to less than this. If still required, it can always be renewed, and the periodical expiry gives opportunity for the arrangement to be reviewed.
6. Date of expiry. Although this can be calculated from the previous columns, it will be found convenient to have a separate column for this date for rapid working through the book periodically.
7. A further column for noting the acknowledgment from the other bank or branch that the credit has been duly received and is operative.

In the normal course of events, credits established at other branches have to be transmitted through a department of Head Office or some sectional controller who countersigns

the order form, and it is on this countersignature that the receiving branch acts. In the case of credits established through other banks, the forms must always be sent *via* the two Head Offices, for similar countersignature.

It will be appreciated that this interposition of one or more controls inevitably leads to delay. It is, therefore, necessary to know the requirements of one's own bank in order to make the requisite calculation so that customers may be advised when credits will be available for their use at the point at which they are being established. Customers who, like contractors, are in the habit of having credits established in various parts of the country soon get to realize this time-lag and allow for it. Others have to be told, and the explanation is usually received quite readily. It may be noted that the origin of this practice of passing credits through a central office for countersignature was the famous "D. S. Windell" fraud of 1908, when a leading London bank was defrauded of over £2,000 in a few hours by means of forged advices of this character. As the same time-lag operates in renewing credits which are about to expire, it is essential that expiry dates should be diarized a few days in advance of their expiry, so that the renewal may reach the office concerned in good time.

The final column for marking that the credit has actually reached its destination has a value of its own which will be readily apparent.

Cashiers are also naturally responsible for the recording of credits established at their branch by other banks or other branches. In this case it is usually considered adequate if the original credit letter be filed in alphabetical order. The date of expiry is not so important, as this only arises when an attempt is made to utilize the credit. It is not usually considered incumbent on the receiving branch to watch for renewals of credits, this being the responsibility of the office originating them. In this way the recording of credits received is reduced to its simplest terms.

To keep such a file clear, it is suggested that one of the

cashiers might run through it from time to time, say, once a month, and clear out such credits as have expired. These can be transferred to a dead file, again in ordinary alphabetical order, for future reference. This is desirable, as branches frequently establish a credit by reference to a previous established one which may have expired some months previously, e.g. where they are unable to obtain a fresh specimen signature on the second occasion. Beyond this there would appear to be no value in the original credit letters after their expiry.

Foreign Credits.

In connection with Credits Established, in branches which are not large enough to have a Foreign Department, it usually falls to the cashiers to keep track of the arrangements for doing foreign business, cashing drafts against letters of credit, and so on. The cashiers should, therefore, arrange a file on the counter containing the necessary data supplied by foreign correspondents in accordance with arrangements made by them with Head Office.

Where these arrangements run to a large number, it will be found convenient to have a separate folder for each foreign bank. Each folder should contain any instructions issued by the bank in question, a copy of their specimen authorized signatures, and copies of specimens of their credit documents, e.g. letters of credit, travellers' cheques, letters of indication, etc.

A note must be made in this folder of the agreed arrangements for commissions on this class of business. In some cases an arbitrary alteration of the rate to be allowed to the customer is made, in others the customer himself pays a commission by deduction from the proceeds of the draft or other document, and in other cases the commission is claimed by ticket attached to the document making an addition to the amount paid to the customer. The term "customer" in this connection denotes, of course, any person properly presenting a document for encashment or negotiation.

Great care is called for in the handling of these commissions,

and errors frequently give rise to prolonged correspondence with the foreign bank concerned, in addition to tending to jeopardize the continuance of such business.

A cashier should also be watchful for a chance of taking a moderate "turn" in a rate of exchange, and for this purpose sheets setting out English equivalents of foreign sums should be kept handy on the counter for rapid mental calculation. It is not possible to reproduce here any specimens on account of the variability of the foreign exchanges in these times, but ready reference to such sheets—which can be prepared by cashiers themselves most easily—enables one to see at a glance the chances of a small turn, or otherwise.

It must, naturally, be emphasized that care and skill is called for in adjusting rates in this way; but, provided this is exhibited, such chance profits are perfectly legitimate. Where, however, a cashier is not much experienced in this class of work, it is often wise not to risk moving a rate, for it is fatally easy to move it the wrong way and make as much loss as one hoped to make profit.

In so many cases details in this foreign file are only called for at long intervals, some of them never being used at all at particular branches. It is thus extremely easy to get slack about the filing of this data; but when a letter of credit is produced against which the bearer wishes to draw a draft, considerable confusion arises if the instructions cannot be found. This causes annoyance to the presenter of the letter, and on his return to his own country his comments regarding the bank concerned may be less than complimentary. Should the foreign bank receive too many of such comments, this will influence them when the renewal of the arrangements comes up for consideration, and the English bank may run the risk of losing desirable business in this way.

Cashiers also have to undertake, in small branches, the procuring of letters of credit, or travellers' cheques, etc., for customers desirous of travelling. It is obvious that every cashier should be very familiar with all the various alternative ways of carrying money or obtaining it abroad or at home,

which his bank is able to offer. He must also be familiar with the charges to be made to customers desiring to utilize these facilities, as well as to bearers of credit instruments which he may be asked to negotiate. Hesitation over the amount of such charges is fatal, and probably gives rise to more uneasiness than the actual charges themselves ever do. Cashiers should also be prepared to calculate very rapidly and accurately simple foreign exchanges called for in connection with this class of work, as here, again, delays are most annoying to members of the public.

New Issues.

Cashiers are also expected, as one of their miscellaneous tasks, to keep trace of credits received for subscriptions to new issues of capital. In practically all cases, small commissions are paid on applications bearing the stamp of a recognized banker or broker. Individually, these commissions may not amount to much, but in time they are worth collecting. Just one point calls for notice in this connection. It is most important to see that the bank stamp is not affixed to applications which already bear the stamp of a broker or of another bank. It might have been thought that such a caution would be unnecessary, but judging from complaints which have been made by the Stock Exchanges from time to time it is apparently needed. The commission is offered to induce banks and brokers at large to recommend or to refrain from running down a projected capital issue. The services of the bank in receiving the application money are remunerated by the promoters elsewhere. It is, of course, quite legitimate to put the bank's stamp on any stray application passing through their hands which does not already bear another stamp, although they may have done nothing to influence the application; that is the luck of the game.

Checking Tills.

There is no way of checking the actual cash held by cashiers other than by making surprise raids from time to time. Such

raids are in no way in the nature of reflections on the honesty of the cashiers concerned, and most cashiers recognize this. In fact, beyond the point that they must necessarily recur at irregular intervals and are, therefore, somewhat of a nuisance, most cashiers accept them placidly as part of the day's work.

The essence of such checks is, naturally, the element of surprise. It is, therefore, usual to arrange that such checks be made either at the close of business or before the commencement. In this way all the separate tills can be checked simultaneously, and no dislocation be caused to customers and their business. It is not normally a practical matter to make a surprise check whilst the office is open for business. It is also usually considered wisest to wait until the cashiers have signified their balance by locking up their boxes, before starting to "swoop." It is most disconcerting and slightly unfair to drop on a cashier who has not yet had time to make up a large miscellaneous till, whilst the same purpose is served if the checkers wait until he has locked his box as a balanced till.

In checking till cash in this way, it may be noted that it is essential to cast the cashier's counter book. The starting balance brought forward from the previous night should be verified from the chief cashier's summary; the items shown as "in" during the day should be ticked back, and the column cast; the same thing being done on the "out" side. It is suggested that one of the reasons against starting a surprise check before the till is finally balanced lies here, in that there is time for a man to make further entries to cloak a deficiency.

Great care is also called for in verifying cross entries between various cashiers, as this is a fruitful source of covering up cash discrepancies.

CHAPTER V

THE LEDGER CLERK

*"But my greatest trouble is that I am afraid to cast up my accounts.
But I will cast them up shortly"*

Diary of Samuel Pepys
31st December, 1661

THE work of a ledger clerk ranks next to that of the cashier in traditional importance in an English bank. It has for long been recognized as a stepping-off place for appointment to the counter, and for this reason alone the grade has an importance all its own.

The routine work of keeping ledgers is not too difficult. In the normal way a good handwriting and some small knowledge of elementary arithmetic, coupled with some talent for neatness and attention to detail, are all the equipment really required.

There is, however, a good deal more in good ledger-keeping than this when carried out properly and fully. The ledger clerk has the task of recording day by day the transactions entered into by customers. He (or she) thus has the opportunity of acquiring a considerable amount of miscellaneous knowledge. Such knowledge as the intimate details of a customer's business is obviously capable of being picked up in this way, but a wider knowledge of the names of leaders in various trades can also be acquired. From a local grocer's account, for instance, one can learn the names of the leading grocery wholesale houses, and so on. From a wholesaler's account can be gleaned the names of some of the larger retailers in one direction, and the names of the great produce houses, shippers, and so on, in the other. How far this knowledge is of value at the time of gathering is an open question, but as general miscellaneous mercantile knowledge it may have a value at any time.

It is better realized that the ledger clerk has one of the best

of chances of learning the business habits of the customers actually at his own branch. He knows the regular payers, and can convey to his manager early advice of any falling away in this respect. He can see also the struggles of the less well-placed customers, such knowledge being of the highest value.

In short, the ledger field provides a general training in ordinary commercial information and a particular training in the business habits of the locality. It thus has a value, the use of which may become apparent only in later years, whilst at the same time providing something of real worth for the immediate moment.

How far the ledgers will remain a training ground in this way under mechanized systems of accounting remains to be seen. In so far as machines tend to be served by clerks drawn from grades which may be regarded as being occupied by temporary or semi-temporary staffs, any knowledge so gained will be of small value. If the former modes of promotion through the ledgers to the counter should remain in force, matters will be little changed; but if the men destined for senior posts are to miss ledger work, new ideas of training will probably have to be evolved. In any event, the time is hardly ripe to discuss this in a work of this type.

It should also be borne in mind that mechanization has by no means become universal. There is still probably a numerical majority of branch banks which retain pen-posted ledgers, and for these the outlook of this chapter remains in full force. Even where branches have been mechanized fully, the basis of working has not been changed too much in order that such branches may not get too far out of step with the rest of the bank.

Over and above this, it may be taken for granted that the machines at present in use will become obsolete in course of time. There is no reason to suppose that absolute finality has been reached, and the mere size alone of the market in this direction should tend to stimulate invention and development.

In these circumstances it has been thought advisable to

retain this chapter on the basis of hand-written ledgers. By this means it is considered that bank men and women who have not had the advantage of training under such a system will be able to acquire some of the knowledge their predecessors obtained in this field.

Lay-out of Bank Ledgers.

Current account ledgers are of two main types, one being the large ledger containing from 100 to 200 accounts, the other being the single account ledger. In the first-named, accounts are headed in alphabetical order until the end of the ledger is reached. Some skill is called for in estimating how many pages each customer is likely to require during the currency of the ledger—usually one, but sometimes two years—and some spare space must be left at the end to accommodate new accounts which may be opened. In the other system a separate book is provided for each account, the books being kept in long trays. Here, again, some care is needed in selecting the correct size of book for each account, the practice being to provide books of varying numbers of pages. The left-hand cover of each book carries a rubber band with which to hold back the used pages, so that the book falls open automatically at the correct page for the posting of each entry.

One of the greatest advantages of the single-account ledger system is that accounts are always in strict alphabetical order and that all accounts in the trays are "live." Care has, however, to be taken to prevent substitution of books, and the stock has to be accounted for in just the same way as loose-leaf ledger sheets. In the large bound ledger, which has hitherto been regarded as the normal standard in English banks, difficulty is often experienced with ledgers overflowing their covers owing to an unforeseen influx of accounts into one particular alphabetical section. This can be met only by the introduction of small supplementary ledgers.

In both systems the ruling is generally uniform, and the example on page 94 may be taken.

ORGANIZATION OF A BRANCH BANK

Page 7

BROWN, John HOUSE FURNISHER, 7 High Street, E.C.

Limit £750. Expires 10/9/33. Rate 1/5
Comm £2/2/- per 1/4 year

Stamped to cover £800

Date	Dr	Cr	Dr			Cr			Balance			Days	Decimals	
			£	s	d	£	s	d	£	s	d		Dr	Cr
1933														
Jan 1		Cash				100	-	-	100	-	-	3		300
5	Green		70	-	-				30	-	-	4		120
7	Jones		70	-	-				40	-	-	4	160	
11		Sundries				80	-	-	40	-	-	8		320
19		Cash				10	-	-	50	-	-	13		650
Feb 1	Wages		20	-	-				30	-	-	9		270
10		Cheques				90	-	-	120	-	-	7		840
17	Wills		100	-	-				80	-	-	2	160	
19	Green		10	-	-				90	-	-			

NOTE Figures in italics in balance column are debit balances and are posted in red ink

Heading the Account.

In the above example of a ledger page, the name of the customer comes first, and should be written boldly. In some banks it is the practice to make this bold heading correspond with the actual signature of the customer. For instance, where a customer whose full name was "John Joseph Harold Brown" signed only "John Brown," the ledger heading would be plain "John Brown," with a note of the full name alongside. The alternative is to head the account with the full name and place alongside a note "Signs—John Brown."

Where the account is that of a company or firm, full details of all directors or partners should be shown alongside the name of the company or firm.

The rest of the heading consists of small data, such as is shown. In this case an overdraft limit has been sanctioned, with a note of the date this comes up for review, and the rate of interest and commission agreed to be charged. The abbreviation of the rate "1/5" indicates a charge of 1 per cent above Bank Rate, with a minimum of 5 per cent. Other similar abbreviations can profitably be utilized for saving time, such as "B/5," meaning a charge of exactly Bank Rate

with a minimum of 5 per cent, or "B-1/3," meaning 1 per cent below Bank Rate, with a minimum of 3 per cent, obviously a special rate.

The stamping figure derives from the fact that stamp duty on securities must cover the total outstanding on the debt at any one time, irrespective of the amount agreed to be advanced. As only the ledger clerk engaged daily with the account can expect to be able to watch fluctuations in the balance, it is convenient to note the limit up to which the security is stamped so that excesses can be advised to the securities clerk. (Vide *The Securities Clerk in a Branch Bank*, page 187.¹)

In some banks it is customary to carry forward to each new folio the full heading of each account, with complete details. In others only the barest essentials are so carried forward. In the former case much redundant work is caused, e.g. the address, etc.; but an advantage is that the ledger clerk and others, having cause to refer to an account, naturally look to the latest page, and everything is before them there. For the other system it is claimed that the continual copying of detail gives rise to the opportunity of error, and that the saving made by not carrying forward more than need be is worth doing. Further, when an alteration is called for in a heading, e.g. a change of address, it is not usual for a ledger clerk to go back and alter the item through a number of back pages. He alters only the page in actual use, and the back pages continue to carry the old data. It is thus very easy for a stranger referring to an account for information to pick this off an old page, e.g. in the case of a junior post clerk looking up the address of a customer.

Posting the Ledger.

The actual columns given in the example are very nearly self-explanatory, but the following comments may be of help. The posting of cheques—termed "debits"—has been made

¹ *The Securities Clerk in a Branch Bank*, by F. J. Lewcock. (Pitman, 7s. 6d. net.)

by names of payees. It is just as common to use the cheque numbers, and, in fact, is becoming more common through many of the machine systems. The posting of credits is more conventional. The entry "Cash" indicates that the credit consisted of nothing but notes and coin, or possibly house cheques, i.e. cheques on other accounts at the same branch, which, having been paid, may be treated as cash. The item "Cheques" indicates that the proceeds are uncleared, and that, if necessary, depending on the status of the customer, reference may be required before debits can be paid against such credit. The item "Sundries" indicates that the credit consisted partly of cheques and partly of cash. In the case of accounts which call for care in paying against uncleared effects, it is often convenient to inset in the credit column a small figure giving the amount of the cash for ready reference.

Such an inset figure has a further value. In calculating interest by means of the decimal or product system, it is usual to make an adjustment for uncleared cheques. These, having been credited when paid in, and the balance calculated accordingly, show what is really a false position. If decimals are struck straight away on this balance, the customer will be receiving interest on funds which the bank has not actually received, for credit is not obtained by the bank until the final settlement in the Clearing House, which may be some days ahead.

The simplest way of arriving at the true state of affairs is to calculate gross decimals out at the time of crediting and make an adjustment at the end of the half-year. If the total of the cheques paid in be cast and multiplied by three, for the three days which on an average elapse before settlement of the Clearing, this figure may be added to or deducted from the total thrown up by the decimal column, and a true result is evolved. It is suggested that this is far simpler than making odd suspense calculations throughout the half-year. Rather strangely, it is often necessary to warn juniors that this calculation of three days is not a *charge* on the account, but is a mere adjustment of the arithmetic to reach a true state.

Arising out of this, it may be mentioned that great care is often required in dealing with this matter of uncleared effects. It is possible, through this system of crediting accounts in full subject to clearance, for an account to show an apparent credit balance at times when, were the uncleared items held in suspense until cleared, the account would be overdrawn. In such case it is necessary to consider whether or not the adjustment of the three days is adequate. If interest is being allowed on a supposed credit balance, the adjustment may be quite insufficient, for if overdrawn the account would fall to be charged. The difference between charging at, say, 5 per cent, and making a deduction at, say, $1\frac{1}{2}$ per cent, is worth attention. The question whether the bank is to pay against uncleared effects is a matter for the manager's decision, and does not enter into this as affecting the arithmetical problem.

Striking Balances.

The operation of the balance column also call for the exercise of care. In some systems two columns are provided, into one of which the balance is placed when in credit, and in the other when in debit. In the example given, only one column is used and overdrawn balances are extended in red ink. It may be noted that the use of red or black ink in the balance column is reversed in some places.

There are also two ways of extending this balance. In one system a balance is struck every time an entry is made, whilst in the other only one balance is struck at the close of the day. In favour of the first system, it is held that it is convenient to be able to see the balance at any point during the day, and that the ledger work proceeds at an even pace. The other system rests on the idea that, as the balance at the close of business is the only true daily balance, the position should not be allowed to become obscured by the striking of a number of false balances at irregular intervals.

Against this it may be noted that where this system obtains it is usual for the ledgers to be "farmed out" round the office at the end of the day for the more rapid striking of balances.

In this way it happens that cashiers find themselves with official access to ledgers, which neutralizes somewhat the chances of retaining strict dual control. It is, however, admittedly confusing for someone other than the ledger clerk inspecting the account to see a number of debit balances struck here and there, which on inspection turn out to be purely accidental, owing to certain debits having reached the ledger clerk before the corresponding credits.

Interest by Decimals.

The use of the decimal or product system for the calculation of charges is invaluable. The system is to multiply the nightly balance by the number of days it has remained unchanged, the resultant figure being called a "decimal" or a "product." In the example given the first balance is multiplied by 3 rather than by 2 to adjust the break which has taken place over the year-end closing and reopening of the books. Otherwise, the calculation of the days is a mere arithmetical deduction of the last date from the present one. At the end of the half-year the days' column is totalled, and provides a check on the correct working by showing that all the days have been accounted for. It is not usually necessary to have this column checked further than this.

Decimals are extended into debit and credit columns for greater convenience in casting at the end of the period. In the ordinary course of events these totals are converted into sterling by means of interest tables, of which there are many on the market. In odd cases the result may be arrived at by multiplying the total by twice the rate per cent and dividing by 73,000, and this may be still further shortened by eliminating the last three figures of the total and dividing by 73.

The decimals have another use in that if the number of days through which they have been worked is divided into the total of the decimals, the exact average balance will be found. This is extremely useful where the charging of the account is subject to the maintenance of a minimum *average*

balance. The common experience is that customers habitually over-estimate the figure of this average, and only demonstration of definite calculations will convince them of their error. This is the more surprising in that in commercial book-keeping it is normal to deduct from the bank account the amounts of cheques as they are drawn; and, as it usually takes anything from two days upwards for cheques to be presented and debited to the customer's account at the bank, it would be natural to expect customers to calculate on a lower balance rather than otherwise.

It may be noted that this system of calculating decimals is not often used in London banks, where the bulk of advances are taken by way of fixed loan, kept in separate Loan Ledgers, and where no interest is allowed on current accounts. The proportion of accounts, therefore, which call for the working of decimals in London branches is thus extremely low—for which London staffs may be duly grateful!

Where interest is calculated by decimals, it is necessary to "break" the decimals at every change in rate, e.g. when Bank Rate changes. When a break has been made in this way the conversion to sterling can be proceeded with, and the work for the balance at the half-year end expedited.

Time for Posting.

The routine work of posting ledgers is fairly easy. Care is obviously called for in working balances, but with practice this becomes largely automatic. Items are posted in "runs," and the time of day at which posting can be done depends almost entirely upon the general system of the branch. Under one system the work is all listed in Check Ledgers immediately after leaving the Waste Books (*q.v.*), whilst, alternatively, the vouchers may pass straight to the ledgers and be listed in the Check Ledgers at the end of the day. For the former system it may be said that the vouchers come to the ledger clerks ready sorted into alphabetical order, and the time of the ledger clerks is thus saved from a certain amount of elementary work which can as well be performed by juniors.

For the latter system it is claimed to be advantageous that the ledger clerks should have vouchers posted at the earliest possible moment, and where early Clearings have to be considered for possible "Returns," this is an item. Much, naturally, depends on the nature of the business. Where the work arrives in the early part of the day, the ledger clerks may reasonably expect to be partially employed on writing up alternate Check Ledgers and still leave themselves ample time for posting without making the day run too long.

Where the work arrives late and the margin of time before "Returns" is small, it is probably preferable for the ledgers to have the vouchers straight away.

Under the first-named system, in which the vouchers have finished at the ledgers, there is no call for the ledger clerks to have to sort runs into one another immediately. Under the second system this has to be done, for it is advantageous for the Check Ledgers to be written up in alphabetical order at least, and preferably in ledger order—which may not be the same thing. This does facilitate calling-back, and cannot be arrived at under the system of passing vouchers through the Check Ledgers first.

It will readily be seen that the choice of the best system to suit the individual business is a matter for careful consideration in the light of the requirements and circumstances of each individual branch. In internal matters of this sort, the branch accountant is usually allowed some degree of latitude.

Dishonouring Cheques.

The ledger clerk enters very largely into the business of dishonouring a customer's cheque, as it is on the basis of the balance shown in the ledger that the cheque will be dishonoured for lack of funds. It is, therefore, most essential that the ledger clerk's work be reliable, and to this end a few comments may be of use.

In the first place, the ledger clerk must make absolutely certain that the arithmetical working of the balance is accurate. This can be done by casting in small pencil figures the

two columns of Debits and Credits, and agreeing the balance across these two figures. The account should then be examined to see that every entry previously made has been ticked as having been called back with the Check Ledgers. It may be noted here that in some banks there is an addition to the ruling of the ledger page shown on page 94 in the shape of two narrow columns to carry these calling-back ticks, whilst in others the tick is simply made on one of the ruled lines.

The next step is to ascertain that no credits exist in the office which have not yet reached the ledgers. This can be done only by inquiry, and as this may be a tedious business and waste much time, the best practice is to throw out the cheque in question to be dealt with along with others by the cashier responsible in the first place for paying the Clearings, etc. It is, however, often possible for a ledger clerk to ascertain the existence of a credit without going to this length, and this is where experience of a customer's affairs is valuable.

Should no credit be forthcoming, the ledger clerk should examine the account to see if any obvious errors have been made. For example, there are customers who feed their accounts solely by means of credits of a certain size at definitely regular intervals, salaried public officials being a common instance. The absence of a regular credit of this type may profitably lead to inquiry, and possible discovery posted accidentally to another customer of a similar name and missed in calling-back. Only experience can teach the varieties of this sort of thing, but the point might be kept in mind.

Failing these simple precautions, the cheque would be thrown out of the posting run for reference to the paying cashier responsible for returns.

Where the vouchers have been passed through the Check Ledgers before reaching the ledgers, a system in common use is to make two piles of cheques after posting. Where the posting of a cheque creates an overdraft or increases an existing one, it is placed in one pile, whilst cheques which only reduce credit balances or make overdrafts within previously sanctioned limits go into a second pile. At a later stage in the

day a senior officer runs through the first-named pile to see that nothing has been paid which might require referring to higher authority.

In larger branches the matter of fixing responsibility for the payment of cheques is one which calls for some consideration. One system in use in such an office is as follows: The ledger clerk throwing up a cheque for which funds do not appear to have been provided, initiates a slip which is attached to the cheque.

CHEQUE REFERRED ON ACCOUNT

Brown, J. W.

Balance including cheque if paid £27 19s. 8d.

Number and Amount of Cheque F/31729 £3

Payee of Cheque *Grange Laundry*

Ledger Clerk *A.B.W.*

Pass-book last seen by customer 10/9/33

Referred to—

SECURITIES	<i>Ntl C.H.F.</i>	Stock Exchange
Dividend		Dept. <i>A.C.M.</i>
Dept.	<i>Ntl C.H.F.</i>	Income Tax Dept. <i>G.E.F</i>

Manager's Office *M.E.O.*

ACTION *R/D G.O.* DATE 8/11/33

The explanation of this slip would be as follows: The name of the customer, the balance including the cheque if finally paid, the details of the cheque, and the ledger clerk's initials call for no comment beyond pointing out that the affixing of these initials indicate that the ledger clerk has performed the routine checks previously mentioned to verify his working.

The cheque, with slip attached, then passes to the departments named, as it might happen that one or other of these departments might be able to throw some light on the drawing. The position of the Securities Department is fairly clear; the Stock Exchange Department might have proceeds of sales pending, and the Income Tax Department might have a claim for refund in course of receipt, and so on. The reference to the manager's office would pick up cases of sanctioned drawings or other matters in course of routine which had not yet been passed out to the general office. Finally, the last line provides for the action to be taken on the cheque. Should any department have any comments to offer, these would be made on the back of the slip, so that the manager, when called on to make his decision, would have in front of him all the knowledge possessed in the office.

In this system a later check is imposed on the ledger clerk to ensure that he does actually show up every cheque required. The balances of overdrawn accounts are extracted daily into books or on to sheets, which go before the manager to keep him in touch with developments in the business. Every increase in an overdraft shown on these sheets or books has to be vouched for by the production of a ticket of the kind described. The system may appear cumbersome to a man in a small office, but in a large branch with a staff of, say, fifty or upwards, it is almost, if not quite, impossible to retain responsibility in the appropriate quarters otherwise.

Balancing Ledgers.

The agreeing of the ledger postings can be made in one of two ways: either by balancing the total of the balances shown on each account, or by balancing the totals of the sides of each account. In either case, it is necessary to re-check each account to avoid double errors compensating each other. For example, if one account be worked £10 short in the balance and another £10 over, these two errors would cancel one another out, and the final balance of the ledger as a whole would yet appear accurate.

Individual ledgers are balanced against cumulative totals obtained from the Check Ledgers. The vouchers are written up from day to day in these Check Ledgers, one such Check Ledger being kept against each ledger. The daily totals are carried forward in these Check Ledgers so that by the end of the designated period totals are available of all the cheques and all the credits which have been posted to that particular ledger.

If the balances shown on the individual accounts be then extracted from the ledgers and added up, the resultant figure should agree with the difference between the two figures obtained from the Check Ledger. If, however, it is desired to balance by "sides," the totals of debits and credits are extracted from the ledger accounts, and the totals of these two figures should agree with the cumulative totals in the Check Ledgers. There would not appear to be any great value in one way as against the other, except that possibly where "sides" are balanced it is perhaps more difficult to make fraudulent compensating entries between accounts in the same ledger.

Ledgers are normally balanced once a week, often in only an informal manner, with a formal balance once a month. It is well known that the larger joint-stock banks balance on different days of the week to avoid disturbance in the Money Market in London, but it is worthy of note that this practice has been very severely criticized by the Macmillan Committee, although no apparent action has yet been taken in the matter.

This weekly and monthly balancing of the ledgers is a part of the balancing of the work of the branch, which in its turn is a part of the balancing of the whole bank. The average of the four or five weekly balances is issued to the public monthly by the London Bankers' Clearing House as regards the ten Clearing Banks. It is, of course, not essential that the ledgers should be balanced in order to arrive at these final figures, but it is not desirable, for obvious reasons, that the ledgers should go too long without being proved, and the weekly balance day is the most appropriate time for such work.

Finding Differences.

The rapid picking up of differences on the first attempt to balance a ledger is a matter calling for experience. As debit and credit balances will be extracted separately, if the difference is an amount capable of division by 2, the error may consist of having taken out a balance to the wrong column, i.e. a debit balance to the credit column and *vice versa*.

Another fruitful source of error is the omission to extract a balance which can be found only by going through the ledger again from the beginning. Other errors arise from transpositions, and a simple way of finding whether a figure is capable of being transposed or not is as follows: Supposing the exact error to be 3s. 8d. This figure will be made the middle line of a subtraction sum as shown below. The top line and the bottom are arrived at by deducting the 8d. from an imaginary shilling—the next highest unit—and the resultant figure 4 placed on the bottom line. This figure is then carried to the top line, and it can then be seen at a glance whether the subtraction of 3s. 8d. from 4s. would give 4d., which, in fact, it does. Thus 3s. 8d. is proved to be a possible transposition of 4s. for 4d., if the ledger balance exceeds the Check Ledger figure, or 4d. for 4s. if the reverse be the case.

$$\begin{array}{r}
 \text{s} \quad \text{d} \\
 4 \quad - \\
 3 \quad 8 \\
 \hline
 4
 \end{array}$$

Had the error been 3s. 5d., the 5d. would have been deducted from the imaginary shilling, leaving 7d. On taking this 7d. over to the top line it would be apparent that the deduction of 3s. 5d. from 7s. would not produce a desired result; 3s. 5d. is thus not a possible transposition of shillings for pence. The same calculation can be made with pounds and shillings. In course of time the more usual transpositions come rapidly to mind without actual calculation. The case of an error of £6 13s. would be worked out as follows—

The figure £6 13s. is made the middle line of the calculation

again. The deduction of 13s. from the imaginary pound gives us the figure 7, and by taking this over to the top line it is seen that a transposition of £7 for 7s. would yield our difference. This again might be extended, as there are a number of units which could be deducted from 9 to leave 7; for example, £9 2s. put down as £2 9s. would also leave £6 13s.

£	s	d
7	-	-
6	13	-
<hr/>		
7	-	-
<hr/>		

£	s	d
9	2	-
2	9	-
<hr/>		
6	13	-
<hr/>		

The second working is reached through the first, and shows that for some figures there may be a large number of possible transpositions. These may be worked out from time to time, but the possibility of more than one transposition must not be overlooked. It should also be noted that in some instances much time can easily be wasted searching for transpositions when the error, in fact, lies elsewhere.

Loan Ledgers.

There is little real difference between loan and current account ledgers beyond the fact that from their very nature loans are not as active in working as current accounts. Similar columns are called for, and little comment need be made in this direction.

Interest is usually worked by means of decimals, but where the loan has not changed its figure during a long period, say, for a complete half-year, it is often easier to work the interest directly from tables calculated on days rather than on decimals.

Where the loan is subject to a rate of interest which fluctuates, e.g. with Bank Rate, a system of commuted numbers is often found useful. By this system a multiplicity of calculations are saved, the idea being to arrive at a figure that shall represent the "time equivalent" at 5 per cent of the total number of days during which interest has accrued at varying rates.

The "time equivalent" for one day is arrived at by doubling

the current rate of interest and dividing the result by 10. If, for instance, the current rate be 6 per cent, the "time

equivalent" is $\frac{6 \times 2}{10} = 1.2$

Specially prepared tables are required for this system, a card being used for each half-year, the commuted numbers being extracted at each change of rate. The advantage of the system is that the interest table books have only to be used at the one flat rate of 5 per cent, thus minimizing the risk of working an account at a wrong rate.

It is also usual for loan accounts to be subject to reductions at stipulated periods, and in many cases standing orders are taken from the customers to debit their current accounts with the reductions as these fall due. Where the number of loan accounts are few, it may be best to keep these orders in the ordinary file, but where they are many the ledger clerk concerned keeps his own batch and refers to it daily to bring up such orders as are due. The system chosen is a matter for decision by the accountant.

In most cases also the half-yearly interest is debited to the relative current account, and this is provided for on the Charges Card. (See page 110.)

Deposit Ledgers.

These, like loan ledgers, vary very little from current account ledgers. Naturally, they do not operate so actively as the current account ledgers, but the book-keeping side is similar. Practically every bank has laid down detailed instructions as to the conduct of deposit accounts, mainly on account of the facility with which fraud may be perpetrated in this department. This follows from the fact that so many accounts are not touched from year to year, and if defalcation is attempted the matter is not so likely to come up and be brought to the customer's notice as is the case with current accounts.

Thus, dual control of all stages is insisted on, and should be rigidly preserved.

Deposits are usually divided into two sections: one for deposits in respect of which books have been issued, and the other for which customers hold a single receipt. In the case of the section represented by books, these are operated like current accounts for book-keeping purposes, and present no difficulty.

The case of deposit receipts is slightly different. In some cases, as fresh receipts are issued, additions are made to the total in the account, whilst in others a fresh account is opened for each receipt. The choice depends on the nature of the customer's business. Where he is a single individual merely using the deposit for ordinary savings purposes and is not very likely to be wanting to draw amounts out, the single account is satisfactory.

Where, however, the customer is, say, a local solicitor, the separate account for each receipt is probably best. It usually happens that in such cases each receipt relates to a distinct transaction which the solicitor desires to be kept apart from others, and he usually wants interest calculated separately on each receipt. Where these have been issued at varying rates, the calculations of interest is a hopeless task if all the receipts have been lumped into one account and are being withdrawn at split periods. The separate account facilitates this sort of work considerably, and careful spacing in the ledger will avoid unnecessary waste space.

In the normal course of events, principal and interest is kept in separate columns and, unless arrangements have been made to this end, interest is not added to principal. There are thus two halves to an ordinary deposit account, and balances of principal and outstanding interest have to be extracted separately in order to balance the ledgers.

Discount Ledgers.

These ledgers vary only in small ways from current account and other ledgers. There are two divisions, however, one into accounts for discounters by name, and one into acceptors by name. The latter is often kept in loose card form, for it is

obvious that the bank requires to have some record of the amounts for which various firms are liable to it as acceptors, so that the discounts may be kept well spread.

Discount ledgers do not enter into the accounting system, and discount accounts are kept only to arrive at total liabilities to the bank of the various customers. The entries which arise when a bill is discounted are that an impersonal account called "Bills Discounted" is debited, and the customer is credited with the amount of the bill, less discount, and perhaps less some other agreed charges in certain cases as arranged. This discount is credited to a Profit and Loss Account, and at the end of the half-year is written off to the profits of the branch.

Where the life of a bill falls into two half-years it is not customary to take credit in discount for more than is proportionate to the end of the half-year, the remainder being carried forward in suspense to the profits of the half-year in which it properly falls. The allocation of the discount between the two periods can be made by waiting until the end of the half-year and calculating for each bill—if at varying rates—or for the total if at one rate, the appropriate amount to take off the discount account and carry forward. This is, however, rather cumbersome, and a better way is to make two calculations for each bill.

One part, the discount up to the end of the current half-year, will go straight to discount, and the balance, being the amount to be earned in the following half-year, placed direct to a separate account, usually entitled "Rebate." The first entry in the half-year will be a transfer from "Rebate" to "Discount," which is then brought into its correct place for absorption into profits at the end of its proper period. It is extremely rare to find bills discounted which have a currency which will extend over more than one half-year end.

The actual bills relative to these entries are usually filed in a portfolio in date order, so that they come up in time for dispatch for collection in good time before maturity. This is often a task allotted to cashiers where the bill business is

small, but in other cases the bill staff will see to this, as well as to the keeping of the ledgers.

The book-keeping involved when a bill is sent forward for collection varies widely. It may be pointed out, however, that the writing off of a bill sent forward in this way out of the discount ledger is not equivalent to debiting it to the customer's account. It is generally appreciated that when a bill is dishonoured, consideration has to be given to whether it shall be debited back to the customer's account, thus losing recourse against the other parties to the bill, or whether it shall be held in suspense so that the recourse against these other parties may be retained. The entries in the discount ledger do not affect this, and the aim should be to write out bills as soon as they leave the office. Thus, at any moment, the bills shown in the discount ledger can be verified by reference to the portfolio. It may be necessary in this connection to bring into use a suspense account to carry entries relating to bills which are in course of collection.

Bills for Collection.

This ledger is conveniently combined with the discount ledger, the only difference being that the bills entered herein are held only for collection, not for discount.

It may be found convenient to have in use a separate serial number for bills held for collection to avoid confusion with discounted bills.

Charges Cards.

Methods of gathering up charges on current accounts vary considerably. One method which has been found to work well is to take charges out on cards. A card about 6 in. by 4 in. bears the name of the account and its serial number, if any. Provision is made for details of arrangements regarding charges, and ruling is provided for the entry of half-yearly charges below.

The method of operation is to keep these cards in alphabetical order. The manager and/or accountant goes through

the ledgers towards the end of the half-year and makes the necessary notes regarding charges for each individual account. The actual amount of these charges is then entered on the relative card, and cards which do not fall to have any entries are put on one side until after the balance.

The totals of the figures on the cards are extracted and become the amount of charges for the relative ledger to be entered in the check ledgers to give a correct balancing figure for each ledger, and the same total is taken into the Profit and Loss Account to arrive at the results of the business of the branch.

Alternatively, charges can be extracted into bound books for the same purpose. The cards have, however, an advantage, as they are more flexible, and by showing the yield of an account over, say, six years, can be useful in more directions than one.

Heading New Ledgers.

These charges cards can also be used in connection with the spacing of new ledgers. This, of course, relates only to the bound ledgers carrying numbers of accounts. When ordering these from the binders it is necessary to make careful calculation of the way in which the alphabet is to be split.

The easiest way to arrive at this is to have each ledger clerk estimate for each live account the number of pages that account will probably require during the period for which the ledgers are being ordered. This figure of pages required can be pencilled at the top of the charges card. If the ledgers are to contain 600 pages each, it will not be found advisable to have the accounts at present open run over 500 pages, thus leaving one-sixth for expansion. This is subject to local requirements, of course, as, for example, where there are a lot of accounts with names commencing with the initial letter of the name of the town, and so on. Allowing for such matters which will be within local knowledge, the cards can be added up according to the pages budgeted for until the required 500 pages have been reached. It is then necessary to ascertain

by inspection whether this has reached a convenient alphabetical break. Adjustments will usually have to be made in this connection, so that one ledger may run only to 475 pages to start with, whilst the next may need 520 pages filling.

Each break must needs be adjusted on its merits, and it is a wise plan to have the spacing carefully checked before finally leaving it. It may also save time if checks are made at each break, for if a mistake has occurred in, say, the "E's," it will throw out of reckoning all the remaining divisions. Division may reasonably be expected to go as far as three letters of a name in the ordinary course of things, i.e. the first section may be taken from "A" to "Bel." The next section following would in this case start with "Bem," "m" being the next consonant to "l." Where a break has been made in a letter, the concluding part of the break should show a finish with "z," so that if the foregoing break in letter "B" were all that was required, the second section here would read "Bem" to "Bz."

Splitting Ledgers.

When the alphabetical sections started in one year do not coincide with those used in the previous year, considerable calculation is required to obtain the new total balances with which to commence the check ledgers, so that each new ledger can be individually balanced as before. This constantly occurs in an expanding business, and can be done only by means of a series of sectional splits of the previous figures. Each split should be balanced up to that point as the splitting proceeds, the final proof of the accuracy of this being obtained by re-balancing the new ledgers in full. It is a long task, and is best performed by having one senior man detailed for it and left undisturbed until completed. It is also essential that it be done at the earliest possible moment after the balances have been brought forward.

Pass-books.

Very little need be said about pass-books, except to notice that they are the medium through which the state of an

account is communicated to the customer. They are of two varieties, one showing the customer in account with the bank, and the other showing the bank in account with the customer. The difference is merely one of local usage and accounts for the fact that in some cases the debits are shown on the right-hand side and the credits on the left, whilst in other cases the reverse practice is found.

Pass-books are normally left with the bank, the customers taking them out at certain intervals to agree their bank balance with their own private books. The legal position of pass-books was dealt with in considerable detail in the *Journal of the Institute of Bankers*, November, 1930, Vol. LI, Part VIII, page 516, to which reference should be made.

It is most important that pass-books be always written up by the bank staff. The practice of allowing a customer to make his own entries and have them merely verified by the bank is dangerous in the extreme to the extent that it facilitates fraud by an employee of the customer. Where the customer is a private individual the practice is more difficult to check, but the point should never be lost sight of.

Another matter which gives rise to difficulty is the case where a customer asks for a duplicate book on the grounds that he has lost his previous one. This again is a delicate matter to refuse, but the problem of fraud again arises, and it is suggested that efforts should be made to withhold the issuing of a duplicate as long as possible—having in mind the danger of offending the customer, of course—and then only issue the duplicate after the taking of an informal sort of indemnity from the customer.

Records should be kept of duplicates so issued, and careful watch kept from time to time to see that the original does not come to light.

A manager or an accountant will have in mind the facility with which a member of the staff can make up a fictitious pass-book to cover up a fraud. One way of countering this sort of thing is to provide an independent check on the pass-books every half-year. A member of the staff not connected

with the pass-books should be detailed to go through the trays and compare each book with the relative ledger account. Notes should be kept of books out during this check, and these should be written for, careful watch being kept to see that they all come in in due time.

An effort should also be made to get into the office as many books as possible for the half-yearly balance. Entering of charges and balancing-off of pass-books is a routine task which can best be done in bulk. Books which have been out for some time should be written for about six weeks before the balance date, a period which gives time for a second and a third reminder before the actual date. Form letters are kept in most banks for this purpose, and where this is not the case they may easily be prepared locally.

Pass-books should be kept written up from day to day, and it is usually sufficient if they are agreed with the ledger account once a month. They should always be written up from the vouchers, and no access to the ledgers should be permitted during such writing-up. If such access is allowed a large amount of the value of a dual check on correct posting is lost. It is to reduce the amount of permitted access that it is suggested that once a month is enough to compare pass-books with the ledgers.

The handing out of pass-books also requires great care. The giving of a customer's pass-book to another person amounts to an unwarrantable disclosure of the customer's business, with all the penalties that implies. Unless the customer asks in person for his book a written order should always be obtained. This is a matter calling frequently for much tact, but where such an order cannot be obtained the bank may protect itself by giving the book out in a sealed envelope addressed to the customer and marked "Private." Care must, of course, be taken to see that the request comes from someone bearing at least ostensible authority from the customer.

The use of code signal slips on the pass-books is an item of much value. Customers' requirements vary considerably about their pass-books, and a series of small gummed slips to aid

the pass-book clerk's memory is of great value. The following items might profitably be made subjects for such gummed slips, each set having a different colour for ready reference—

1. Income tax vouchers to go with the pass-book.
2. Paid cheques not wanted.
3. Book only to be given to customer in person.
4. Credits to be entered in full detail.
5. Cheques to be entered by number.
6. Cheques to be entered by payee's names in full.

With experience, slips appropriate to the business can be evolved, the point being that odd requirements of this nature which run counter to the accepted custom of the branch will be less likely to get overlooked if a coloured slip is pasted on the outside of the book to bring it to the notice of the pass-book clerk dealing with the matter, or, more importantly, a deputy acting during holidays or sickness. The slips should be about $1\frac{3}{4}$ in. by $\frac{3}{4}$ in., and bright and distinctive colours should be chosen. The local printer will advise on this latter point.

CHAPTER VI

OTHER RANKS

"I declare it's marked out just like a large chessboard!" Alice said at last. "There ought to be some men moving about somewhere—and so there are!" she added in a tone of delight, and her heart began to beat quick with excitement

Through the Looking Glass. Chapter II.

L. CARROLL.

Waste Books.

THE Waste Books are a most important section of the branch banking system. The chief qualifications for the post are a facility for writing at high speed, and considerable accuracy in copying and casting figures.

The waste books split up into their component parts the articles paid in to the credit of accounts, and route such articles in their proper directions

Credits are taken in at the counter or are received by post, and go straight to the waste books. Here they are entered as they come, each article being listed in its appropriate column. It is a sound plan to allocate one waste book to each cashier, even although one clerk may have to write up more than one waste book. At the end of the day the totals of the columns headed "Cash In" and "Cash Out" enable the cashier to check the accuracy of his counter book against which he is about to balance his actual cash. The cashier is, of course, responsible for balancing his cash and his counter book on his own; but should he show a difference of, say, £10 in his cash on first trial, it is of great assistance to him to be able to know that his book shows a similar difference against the waste book. As this economizes the time of one who is a senior member of the staff and may be required for more responsible work after hours, it is well worth doing.

A specimen ruling of a Waste Book appears on page 117.

Debit Side.

[illegible]

Credit Side.

[illegible]

Other rulings may be called for in varying circumstances. For example, in London, where the bulk of the cheques received will be drawn on the Town or Metropolitan Clearings, it is often desirable to have separate columns for these so that they may be balanced sectionally. In general, it is always desirable to have as many columns for sectional balancing as possible, attention being given to the point that there is enough for any given column to make sectionalization worth while.

In the specimen ruling no space is provided for recording the numbers of postal orders. It is a better plan to endeavour to get customers to use a rubber stamp or write their names on such postal orders as they pay in. Strictly speaking, it is not necessary to have any name at all on these when presented through a bank, but as the Post Office has the right to return postal orders unpaid by deduction from subsequent dockets at any time—without apparent limit—unless the order in question can be clearly allocated against a particular customer, difficulty may be experienced in discharging the matter from the bank's books.

The Local Clearing and all remittance columns have inset columns to permit of the recording of the national number of the cheques listed therein. This is most important, as it is to the waste books that reference is made when it is desired to know whether a cheque in a credit is cleared or not.

The balance of a waste book is effected by adding up the totals of all columns to the left of the Total Credit column and agreeing this figure against the total of the remaining columns. A smart waste book clerk will normally endeavour to balance each credit across as he enters it, although this is not always possible at rush periods. It is, however, a good idea if it can be done, but it obviously cannot be made an invariable rule.

As articles are passed through the waste books they are thrown into baskets corresponding to each column, or stuck on spikes similarly, the clerks responsible for each section obtaining their own vouchers sorted out in this way. Should

a clerk find in his basket or on his spike an article not properly belonging there, he should draw the attention of the waste book clerk to the fact, so that verification may be made of its having been entered in the correct column.

In a large office it will be essential to have a number of waste books. In that event a Waste Book Summary will be needed in which the totals of all the books can be cast to arrive at figures for balancing the separate sections indicated by the various columns. A variant of this is to have pages printed similarly to the books, but mounted on large tear-off blocks. As each page is finished it is cast and agreed on its own, torn off, and the whole lot assembled towards the end of the day, so that a summary may be compiled to reach the balance figures.

Inward Clearings.

Besides the articles of credits and debits which come in over the counter or arrive by post, the bulk of the debits in an ordinary branch arrive in the In-clearings from Head Office. Head Office remits these to the branch with or without a listing slip and a total.¹ This total must be agreed—or not, as the case may be—and to this end the cheques so arriving must be listed and cast. The total advised from Head Office is then responded to in full through Head Office account being credited, and the branch balances this by debiting the customers the amounts of their cheques. If the figure advised by Head Office cannot be agreed, or if there are to be any deductions for returns, etc., it is customary to respond in full to the Head Office figure and adjust the difference by originating a fresh debit or credit entry as required from the branch.

When the lists have been agreed, the cheques will be sorted out to the various check ledger sections, where they will form the bulk of the debit entries *en route* to the ledgers for posting. It is sometimes found possible to enter the Clearings separately in the check ledgers, and balance them sectionally against the

¹ In some banks, to economize time and work at Head Office, the task of arriving at a total is left to the branch, and Head Office adopts the figure advised, subject to adjustment on a later check if needed.

Head Office totals. This provides an additional agreement of the figures advised by Head Office.

These figures then go through the waste books in one item, the entry in the Total column providing the means of later agreeing with Head Office account, whilst the entry in the House column provides the requisite balancing figure there.

Local Clearings can be dealt with similarly.

Check Ledgers.

The check ledgers serve a twofold purpose in the branch book-keeping system. They enable a total to be reached of the credits received on the one side and the cheques paid on the other, and they facilitate the working of the ledgers in that they provide a medium for calling-back items to agree their correct posting to the proper accounts, as well as providing cumulative totals from day to day against which to balance the arithmetical working of the ledgers.

A check ledger will be required to correspond with the lettering of each ledger. As articles arrive on the check ledger desk they are sorted into ledger sections, and each section is then sorted into alphabetical order. Credits are written on one side of the page and debits on the other, the name of the customer usually going in the centre column. The ruling is thus extremely simple, only a single money column series being required on each side of the page. Other check ledgers will also be required for deposit accounts, loan accounts, and the Head Office account. Every item passing through the office must go into a check ledger somewhere or other in this system of balancing.

At the end of the day the check ledgers are extracted into a summary book, the totals of which should agree with the totals shown in the waste book summary. All that is then needed to arrive at a complete balance of the entire day's work, is to bring in the totals of the cash balances at the beginning and end of the day.

The chief cashier will have meanwhile been adding up the totals of the tills taken from the various cashiers under his

control. The check ledger summary clerk will have on the previous page the balance with which the day was started, and this will be brought forward and added to the credits side. The figure then supplied by the chief cashier as being in hand at the close of the current day, if added to the debits side, should prove the balance.

In this system it will be noted that "sides" are used and not balances to balance the work. That is to say, the full totals of items credited to Head Office, and the full totals of items credited to customers' accounts are extracted, and similarly with debits. This enables separate sections of the work to be balanced sectionally throughout the office. The check ledger clerks can balance their check ledgers against the waste books; the remittances can be balanced against their respective columns in the waste books. The Head Office account items can be balanced sheet by sheet against similar divisions in the check ledgers, and so on, until finally, the actual balancing of the check ledger summary should be only a formal matter.

It should be carefully noticed that the balancing of the work of a branch is much facilitated if the work be sectionalized as much as possible. In many cases this may not be permissible in the standard system of the bank in question, but no opportunity should be lost of making subdivisions wherever possible. When a difference has to be looked for, the more the work has been balanced sectionally, the easier and quicker will the difference be found.

It is worthy of notice that a good deal of the economies which have been effected by the introduction of machines has arisen from this greater sectionalization of the work. It is thought by a good many bankers that similar economies could just as easily have been achieved by greater sectionalization on its own in many banks, without incurring the expense and dislocation of the introduction of machines. The point is rather open to argument, but in any discussion on machines the savings attributable to sectionalization of work should not properly be credited to the machines in every case.

The machines have also been responsible for the elimination of a number of stages which were formerly thought to be essential to the efficient conduct of banking business. Where the choice seemed to lie between machines without the stage in question or no machines, it appears that in many cases the machines have been given the opportunity which was denied to would-be reformers of the former pen-written books.

Remittances—The Clearings.

Remittances consist of all cheques which are to be sent forward through Head Office for clearing. They are split into several sections—Town, Metropolitan, Country, Branch, Scotch and Irish, and Walks. In each section there are further subdivisions corresponding to the banks belonging to the Clearing House in London. This subdivision applies equally to the Town, the Metropolitan, and the Country Clearings, except that the actual "seats" vary slightly owing to historical conditions. For example, after amalgamation it was seen that, say, the present Westminster Bank had three seats on the Clearing corresponding to the former County, Westminster, and Parrs Banks. It was convenient to retain these as separate seats in the Town Clearing, but not in the Metropolitan and similar considerations, deriving from internal arrangements in each bank concerned, have applied elsewhere. On the contrary, some banks have chosen to amalgamate their seats and clear only through one combined seat. Barclays Bank, for instance, clears everything through one seat, whereas at the time of amalgamation they were possessed of the old Barclay & Co. seat, another for the old South Western Bank, and a third for the Provincial Bank.

The divisions in the various clearings into which cheques have to be sorted and listed are shown on the current stationery in use in each bank. It is sometimes thought to be rather a pity that it is not possible to bring up to the Clearing the juniors responsible for mis-sorts, and make them repair the damage these cause.

The working of the Clearing House is one grand rush against the clock, and every mis-sort gives rise to endless bother and delay. The importance, therefore, of careful sorting at the branches cannot be over-emphasized, especially when it is remembered that missing the Clearing would have very serious consequences to the bank so unfortunate as to allow this to happen.

It is obvious that unless cheques received by Head Office for clearing are drawn on other banks, they cannot be taken into the Clearing House, for this would mean the head clearer taking a packet of cheques down the street to hand over to himself—which is absurd. Head Office, therefore, runs a clearing on a small scale—although of large dimensions—on its own for settling the clearing of inter-branch cheques. In some cases it is only necessary to make one long list with one total, whilst in other cases branches are sorted according to groups and cheques are listed accordingly. This, again, is purely internal routine. Cheques passed through the branch clearings take exactly the same length of time to clear as cheques drawn on other banks in the same section of Town, Metropolitan, or Country.

Scotch and Irish cheques, and cheques drawn on banks in the Channel Isles and the Isle of Man, are dealt with at Head Office by being forwarded to agents in the respective areas under agency arrangements. The exact details vary from bank to bank, but the basic idea is that Head Office collects such articles in much the same way as a branch gets the proceeds of items which it sends for direct collection.

"Walks" comprises everything in London which cannot be dealt with through one or other of the Clearings.

The name arises from the fact that messengers or juniors at Head Office make up parcels of articles drawn on outside institutions and "walk" round with these parcels, receiving payment in cash in some cases, and by banker's payment ticket on a Clearing bank in others.

In some cases the "Walks" forms part only of a Sundries Clearing. The aim of splitting this section up is to obtain as

much detailed sorting at the branches as possible, bearing in mind that so many juniors in country branches have little or no knowledge of London geography. It is this geography which is the basis of the sorting.

"Walks" proper comprise articles drawn on banks of all sorts outside the Clearing, but within reasonable distance of the centre of the City at the Bank of England.

Drafts on the Paymaster-General form another section, and include drafts drawn on certain other Government offices in the neighbourhood of the Paymaster-General's office in Whitehall, such as the War Office, India Office, Foreign Office, Crown Agents for the Colonies, High Commissioner for India, Commissioners for South Africa, and drafts on Scotland Yard, the Police headquarters.

Cheques drawn on and bills accepted at the Bank of England form another section. The Bank of England only clears outwards, and these articles are paid into the Bank as credits for the account of the bank so paying-in, forming in effect House Debits in the Bank of England.

Dividends drawn on the Bank of England are dealt with similarly, but as they have to be paid in separately, they are sorted as a separate section at the branches.

Another section comprises Inland Revenue drafts payable at Somerset House, whilst another takes money orders, C.O.D. orders, and international trade charge orders.

Great care is needed in distinguishing between these various sections, as, for example, when dealing with payment tickets issued by non-clearing bankers. Usually, these are drawn payable at a Clearing bank, and are then paid in the appropriate section for that bank, mostly Town Clearing offices. They should not be listed to "Walks" in this case, although issued by a "Walks" bank.

Cheques drawn on West End branches of "Walks" banks are often collected by direct remittance for local collection to the nearest branch of the collecting bank, but in some banks there is a "Western Walk" at Head Office, and in such case they can properly be listed to "Walks."

It should be noted that Clearings are debited to Head Office in full. Adjustments for returns are made as separate entries on their own, not by way of alteration of Clearing totals.

Special Presentations.

It is sometimes desired to obtain payment of a cheque more quickly than can be done through the Clearing, or, for various reasons, to obtain definite advice of the payment of a particular cheque. Payment of cheques drawn on Country Clearing offices can be expedited a day by being sent direct. A cheque is received for collection by a bank on Monday, and is dispatched in its remittance that night to Head Office. It reaches Head Office on Tuesday and goes into the Country Clearing. It reaches the office on which it is drawn on Wednesday, and if not paid, arrives back at the collecting bank on Thursday.

In certain circumstances, as, for example, where a tradesman is waiting clearance before dispatching goods, or where a solicitor is withholding legal process pending clearance, etc., this may easily not be quick enough. The cheque can, therefore, be dispatched direct to the drawee bank, which it will reach on Tuesday morning. Telegraphic advice may be asked for, in which case the collecting bank will know the fate of the cheque some time on Tuesday, or postal advice may be adequate, when he will know the fate on Wednesday.

Entries for direct remittances are settled through Head Office Agency account, if agencies' arrangements exist between the two banks concerned, or otherwise, by the paying banker sending the collecting banker a bankers' payment ticket which can be remitted through the Clearing in the ordinary way. It may be noted here that when calculating time of clearance for interest purposes on a customer's account, the fact that a cheque has been sent direct and fate is known does not imply always that payment has been actually received by the bank earlier than would have been the case through the Clearings. In fact, where a bankers' payment ticket is sent back in payment, there may be additional delay.

This will be of value only where a cheque of a large amount is involved.

Whether it is worth while sending a cheque direct is a matter for consideration. It sometimes happens that an embarrassed payer sends off a cheque by post, calculating that it cannot reach his bank before a certain day. If such a cheque be sent direct, thus stealing a day on the Clearing, it will arrive a day early and may be dishonoured, when it would have been provided for had it not arrived until the following day. It may be noted that a banker receiving a cheque for special collection in this way is entitled to retain it until the day following receipt—see *Q.B.P.*, No. 388, 8th Edn.—but this is subject to any special agreements which the two banks concerned may have come to mutually as part of an Agency agreement. The banker to whom the cheque is sent for collection is not *bound* so to hold a cheque in this way, and the modern practice is not to hold over such cheques in the absence of anything in the way of special circumstances.

There is little to be gained by sending London cheques direct for collection. Under the Clearing House Rules special presentation cannot be made of cheques drawn on Town Clearing offices, and the fate of such cheques cannot be ascertained until the latest time for Town Returns has passed. This means that a telegraphic advice of fate cannot be dispatched from the City until about 5.30, which frequently means that it is of no value to a country branch until the next day. As the fate of such cheque would be known by then through the ordinary channels, the direct remittance is of no additional value.

Similar remarks obtain in the case of cheques on offices in the Metropolitan Clearing. Here, however, there may be a chance of expediting matters, for the leading joint-stock banks have branches so well spread over the Metropolitan area that it is usually possible to remit a cheque to the bank's own branch nearest the drawee bank, asking them to make a special presentation locally and advise the fate by wire immediately. If postal advice only is required, nothing is to be

gained by this, as cheques in this Clearing reach the branches on which they are drawn by noon on the day after they are dispatched by the collecting banker.

Bills of exchange can be remitted through the Town Clearing, but not through the others. They must, therefore, be sent direct in every case.

Crossing Cheques.

All cheques must be crossed with the name of the collecting bank and branch before being sent into the Clearing House, under the Rules of the House. There has been tending to be an increasing degree of slackness in this very important matter of recent years, and it is not improbable that if it continues the Clearing House Committee may be forced to take sterner measures regarding it. The importance of this crossing cannot be over-estimated, for if a cheque is dishonoured and bears no crossing it is almost impossible to identify it in many cases, e.g. where it is for £5, say, payable to John Brown, or some similarly frequently used name. In any event, identification is a most difficult task, and the work on the Clearings is quite strenuous enough without adding to it unnecessarily.

To avoid risks arising out of losses in the post it is necessary to cross cheques remitted direct for collection. The point of time at which cheques should be so crossed is a matter for internal arrangement. In many cases the cashiers cross cheques as they receive credits at the counter; and where there is a number of tills this is convenient, because it enables numbers corresponding to the tills to be placed on the crossing stamps, which facilitates referring back a cheque which may be returned unpaid. In other cases, the cheques may be crossed *en bloc* at the end of the day. It is desirable that provision should be made for full examination of the technical form of cheques before dispatch to reduce the volume of Returns, and examination for missed crossings may be included in this.

As payment is normally made for special presentations through a Head Office Agency account, it is usually found to

be most convenient for such items to be handled by the clerks responsible for this account, rather than the remittance clerks. There is less danger of omission to pass the entries, and no risk of a cheque which the bank has undertaken to present direct getting mis-sorted and going through the Clearing.

Local Clearings.

Local Clearings are organized on roughly the same basis as the London Clearing House, although local circumstances give rise to considerable differences in detail, as in the hours of Clearings, and the forms on which cheques are to be listed. The variations are too many to be tabulated here, but the local arrangements should be properly understood. Where centres are too small to undertake a formal Clearing House of their own, local cheques are exchanged daily under mutual arrangements. Differences are usually paid by means of bankers' payment ticket in the Metropolitan area, and by entry through Agency account in country areas. In small isolated cases differences may sometimes be paid in cash where the amount is negligible. Instructions on this point vary from bank to bank, but it is usually found to be desirable to have a record of such differences, as payment in cash enables some forms of fraud to be cloaked up. It should also be noted that it is against the normal practice to carry local cheques and postal orders overnight included in a cash balance. The correct method is to have an impersonal account opened for each section, so that the cash balance contains nothing but actual notes and coin.

Head Office Account.

The Head Office account at a branch is normally one of the most intricate parts of the branch work. This follows from the mere fact that it contains a mass of detailed entries, all of which have necessarily to be sectionalized at the branch to enable the much larger mass to be adequately handled at Head Office, where both space and time is restricted.

Head Office account is credited with the following items—

1. Cash received by the branch from Head Office.
2. Cheques received from the Clearings, *via* Head Office. This is responded to in full, and adjustments for arithmetical errors and deductions for returns, etc., are made by separate entry on the other side.
3. Items received from agents, e.g. cheques received for special collection, etc. It is customary to respond to entries in this account only as they are accepted. If the entry cannot be accepted, the usual practice is to return it without entry and leave the agent to reverse his original entry, thus saving a number of redundant entries.
4. Items received from other branches—similarly to agents.
5. Entries received from Head Office itself. This section is often split up considerably, and there may be separate sections for Returns Inwards, Bankers' Payments issued by the branch, Drafts drawn on Head Office by the branch, Acceptances of customers domiciled by them at Head Office by arrangement, and so on

The Head Office account is debited with similar items in the reverse direction. The items listed under Nos. 3, 4, and 5 above on each side of the account are termed "Wash" accounts. That is to say, an entry originated by a branch under any one of them will be offset in the course of a few days by a reply entry from another quarter, from another branch, an agent, or Head Office itself. If an entry outstands without reply, the item is queried to the originating branch, and that branch reverses its entry, and the branch or agent which should have responded is led to do so, and the Head Office query "comes out in the wash." It is, therefore, important that a branch should respond immediately to all entries it receives in this way, as all queries in this section of Head Office are in reality waste time. It is realized that everything cannot be done right always, but attention to detail can minimize considerably the time spent on queries in this way.

As explained at the beginning of this book, the branch

maintains a balance at Head Office which may be in credit or in debit. The two sides of the advice form which conveys to Head Office the summary of the day's working are posted to this account, raising or lowering the branch balance as the case may be. This summary form, therefore, usually starts off by bringing forward the previous night's balance, the credits and debits listed on the form are added or subtracted, and a fresh balance for the close of the current day is calculated. This is agreed with the Branch Ledgers at Head Office, which is thereby assured that the work of the branch has been done correctly in this respect.

The figures advised to Head Office on these statements form the basis for the compilation of the Head Office Treasurer's book for the day following which they are dispatched from the branches. He knows his own balance in the Bank of England at the commencement of that day; he knows his own commitments for some days ahead arising from Head Office transactions; he knows what he requires to finish the day in the Bank of England account. The statements from the branches tell him how these figures have been varied by the operations of the branches, and they are thus an important cog in the operations of the bank, apart from their value in the book-keeping system.

Head Office Interest.

In the General Ledger (see *post*) there will be found an account headed "Head Office Account." This is posted from the check ledger summary just as any other account, but decimals are worked on it. These provide the basis for checking the interest to be charged or allowed by or to Head Office. The carrying forward of this checking work from day to day as the General Ledger is posted reduces considerably the rush at the end of the half-year.

Impersonal Accounts.

Apart from the ledgers in which current and other accounts of customers are recorded, there remains one essential ledger

in which are recorded impersonal accounts. These form part of the branch's Profit and Loss Account, but are separated under various heads for convenience and statistical purposes.

The more usual impersonal accounts are as follows—

GROUP A. *Interest Accounts.*

1. Allowed or charged by Head Office
2. Allowed on current accounts.
3. Allowed on deposits.
4. Charged on current accounts.
5. Charged on loans.

GROUP B. *Commission Accounts.*

1. Charged on current accounts.
2. Charged on loans.
3. Charged on bills.
4. From Stock Exchange transactions
5. From foreign business.
6. Other commissions.

GROUP C.

1. Discounts and Rebates (sometimes separated).
2. Dividends on Local Investments (if any).

GROUP D. *Branch Expenses.*

1. Rates and taxes.
2. Insurance of premises.
3. Rent where paid by the branch.
(N.B. Where this is the case the branch usually gets the benefit of any sub-lettings, but the more usual practice is for rents to be paid by Head Office to level up the freehold branches with the leaseholds)
4. Office petty expenses, cleaning, etc.
5. Salaries.
6. Postages, telegrams, telephones.
7. Stationery.
8. Legal expenses.
9. Travelling.
10. Subscriptions.
11. Shorts in tills. (Overs are dealt with as explained on page 66).
12. Miscellaneous expenses not capable of being separately placed above.

GROUP E.

1. Stamps on hand, often shown separately as cheque stamps, draft stamps, stamps on travellers' cheques, and other similar documents, etc.
2. Local investments, if any.
3. Balances at local banks, e.g. where the branch has an account of its own at a country branch of the Bank of England or some other bank for Local Clearing purposes.
4. Local Clearing and postal orders.
5. Cheques in course of collection with other banks, not already debited to agency account through Head Office account.

Statistics of the Business.

An advantage in keeping separately the various interest and commission accounts is that statistics can be arrived at more easily this way. For example, it is possible to calculate the average overall rate of interest charged or allowed on each separate group of accounts, and similarly with commissions. From this it can be seen whether the branch is pulling its weight fairly in current conditions. Allowance has to be made in such calculations for accounts on which special arrangements operate, and the calculations are thus not too easily made, but that they are worth doing is certain. Unless exact statistics are made like this, the running of the branch becomes a matter of sheer guesswork. The profits may show that the branch pays its way certainly, but if the figures show that the average return of interest charged on loans, for example, is only 2 per cent, when the branch is supposed to be charging a minimum of 5 per cent on all accounts, something is wrong somewhere. Quite possibly a large error has been made in calculation somewhere, and missed in checking, and statistics of this nature enable such things to be picked up.

The General Ledger and Branch State.

There will also be required another ledger in which the state of the branch can be recorded, usually known as the "General Ledger." The extracting of the balances of the accounts in this ledger leads to the final branch Balance Sheet. There is normally one account in this ledger to correspond

with each current account ledger, showing the ledger as a whole to be in net credit or net debit. The other accounts to be found in this ledger will correspond with the items found in the Branch Balance Sheet. This is naturally set out in somewhat greater detail than the full balance sheet of the bank issued to the public, and a specimen of what is to be expected in such a balance sheet is given on page 134.

The exact headings vary from bank to bank, and allowances must be made for this. The General Ledger is, however, the final balancing medium of the branch. Each separate current account or other ledger should balance against the corresponding account in the General Ledger, thus proving finally and conclusively the working of the entire branch for the period under review.

The accounts in the General Ledger are posted from day to day from the check ledger summary book, thus providing cumulative figures from which the separate balances on each account can be worked. In the case of current accounts, where there will normally be an entry on each side every day, the cast of these sides in the General Ledger will provide the necessary figures for balancing "sides" in the ledgers themselves if required. If this is adopted, it will hardly be necessary to bring forward daily cumulative totals in the check ledgers themselves.

In the case of the deposit and loan accounts, if these are sectionalized by rates allowed and charged, the working of decimals on such General Ledger accounts will enable the interest actually allowed or charged to be checked within a very little. This is an additional check on the arithmetical working of those clerks responsible for the deposit and loan ledgers, and when properly done the check can be relied on within very narrow limits.

It is, of course, necessary to exercise some care in sectionalizing these accounts, in order to avoid excessive transfers from one section to another. For example, where a deposit is agreed at "2 below Bank Rate, minimum 2%," and the Bank Rate happens to be 5 per cent at the moment, such account

will be sectionalized under a heading "Bank - 2, min. 2," and not under the rate of "3%." When the Bank Rate alters there is no need to move the account out of this section, all that is required being to break the decimals, as on the actual deposit account itself, whereas, had it been placed under the "3%" heading a transfer would have been called for.

BRANCH BALANCE SHEET

<i>Liabilities</i>			<i>Accounts</i>		<i>Assets</i>		
<i>Cr.</i>						<i>Dr.</i>	
	<i>£</i>	<i>s. d.</i>			<i>£</i>	<i>s. d.</i>	
	3,410	- -	Ledger No. 1				
			Ledger No. 2		6,250	- -	
			etc.				
	250	- -	Deposits	Loans	100	- -	
			(Separate accounts being kept				
			for each rate, if desired)				
			Stamps in hand		55	- -	
			Bills Discounted		75	- -	
			Local Investments		<i>Nil</i>		
			Buildings (if not dealt with at				
			Head Office)		<i>Nil</i>		
	3,472	- -	Head Office Account				
			Profit and Loss Account		27	- -	
	85	- -	Liability on Acceptances, etc.				
			Customers' contra to above		85	- -	
			Local Clearing		125	- -	
			Cash in hand in tills		500	- -	
			Cash at local Banks		<i>Nil</i>		
	<u>£7,217</u>	- -			<u>£7,217</u>	- -	

APPENDIX

NATIONAL NUMBERING OF BANK OFFICES

NOTE The Author is indebted to Mr. E. R. Bardsley, of The District Bank, Ltd., London, the originator of the scheme, for revising this Memorandum

THE system of National Numbers applies to all bank offices in England, Wales, and Ireland. The offices in Scotland of the Scottish banks have not yet seen their way to come into the scheme, but it is hoped that they will do so eventually. The offices in England of the Scottish banks are already included in the scheme.

The idea was first put forward in substantially its present form in an article in *The Bankers' Magazine* for December, 1927, written by Mr. Bardsley, of the District Bank, Ltd., London, and was later adopted by the various bodies representative of the several groups of banks in the areas named.

Similar schemes had been talked about for a long period, but the final stimulus to the adoption of the present scheme came from the desire to utilize purely machined particulars to the fullest possible extent in dealing with the recording and clearing of cheques received for credit. The scheme is now in being on the following general lines.

Every banking office in the area named has been given a distinctive number. Town Clearing offices have three-figure numbers, and Metropolitan Clearing offices four-figure numbers under 7,000. The five-figure numbers are allotted as follows: Country Branches of London Clearing banks receive numbers between 10,001 and 69,999. Country Branches of English country banks receive numbers from 70,001 to 74,999, and banks in the Islands adjacent to England 75,001 to 79,999. Bank offices in Ireland are numbered from 80,001 to 99,999. Walks and other miscellaneous offices in the London area receive four-figure numbers from 7,001 to 7,999.

In the case of the "Big Five" banks the initial number indicates the name of the bank, and the remaining numbers indicate the particular office of that bank—Town, Metropolitan, or Country, according to whether the number is a three-, four- or five-figure number respectively. Thus, No. 202 indicates a Barclays branch in the Town Clearing; a four-figure number, e.g. 2,003, indicates also a Barclays branch, but in the Metropolitan Clearing, whilst a five-figure number, e.g. 20,004, indicates still a Barclays branch, but in the Country Clearing. Within the limits allocated to each bank, that bank can number its branches as it chooses. The numbers are printed on the top right-hand corner of cheques immediately above the date, and in practically all cases where banks had individual numbering systems in use previously for internal purposes such schemes have now been dropped in favour of the National scheme so that there is usually only one number applicable to any office for all purposes.

The allocation of numbers is shown on the accompanying schedule, and branches have been allotted numbers by their respective Head Offices from these figures. The practice in regard to the numbering of sub-offices varies—some banks having allocated separate numbers thereto, while others have preferred that the sub-office should take the same number as the parent branch. The National Number of each particular office appears in the *Bankers' Almanac*, the proprietors of which have also published separately a "Numerical List of British Banks" in booklet form. Any additions to this list are noted from time to time in the *Journal of the Institute of Bankers*.

The following other points may be noted in connection with the scheme. In the case of bills being accepted it is often usual to supply customers with rubber stamps to ensure their getting the details of the domicile accurate. The addition of the National Number to such stamps should present no difficulty. Similarly, the National Number can be added to crossing stamps to assist in identification where the crossing is not made too clearly.

In the case of cheques or dividend warrants payable at more than one bank or branch, the number of the office where the article will be ultimately paid is printed in the customary place above the date, enclosed in a lozenge, e.g. (12345). The numbers of the other bank offices named on the article are placed against their names, and the lozenge is intended to direct the attention of the collecting bank to the fact that there are alternative offices of payment.

It will be recollected that certain classes of cheques, e.g. warrants for railway dividends, etc., are payable at any one of a number of banks, and a complete list of these appears on each warrant. It is customary for a branch having such a warrant to collect for a customer to remit it to that branch of its own bank which appears in the list, or if one does not appear, then to any agent in the list. Failing these, such a warrant should be remitted for collection to the bank at which ultimate payment will be made, as shown by the number in the lozenge. Attention must always be paid, however, to the necessity of clearing a cheque through the quickest channel in the interests of the collecting banker's customer. See *Forman v. Bank of England* (*Legal Decisions*, Vol. II, p. 21.)

Where old cheques which bear no numbers are still in use, and in the case of Club and Stores cheques which customers obtain privately, the name of the bank and branch will continue to be recorded as hitherto, unless it is found possible to mark the appropriate numbers thereon before the cheques are passed forward for collection.

NATIONAL NUMBER SCHEME APPLIED TO EXISTING BANKS

THREE-FIGURE NUMBERS

TOWN CLEARING BANKS and BRANCHES	TOWN CLEARING BANKS and BRANCHES (<i>continued</i>)
101-109 Bank of England	201-299 Barclays.
111-119 Martins	301-399 Lloyds
141-149 Coutts	401-499 Midland
151-159 Glyn's	501-599 National Provincial
161-169 Williams	601-699 Westminster
171-179 National	

FOUR-FIGURE NUMBERS

METROPOLITAN CLEARING BANKS and BRANCHES	WALKS OFFICES
1001-1099 Bank of England	7001-7099 District
1101-1199 Martins	7301-7399 Yorkshire Penny Bank.
1401-1498 Coutts	7401-7409 Bank of Scotland
1499 Grindlays	7411-7419 British Linen Bank
1501-1598 Glyn's	7421-7429 Clydesdale Bank
1599 Hoares	7431-7439 Commercial Bank of Scotland
1601-1699 Williams	7441-7449 National Bank of Scotland
1701-1799 National	7451-7459 North of Scotland Bank
2001-2999 Barclays	7461-7469 Royal Bank of Scotland
3001-3999 Lloyds	7471-7479 Union Bank of Scotland
4001-4999 Midland	7491-7499 Provincial Bank of Ireland
5001-5999 National Provincial	7501-7999 Other Bank's Offices in London
6001-6999 Westminster	

FIVE-FIGURE NUMBERS

LONDON CLEARING BANKS - COUNTRY BRANCHES	BANKS IN ISLANDS ADJACENT TO ENGLAND (viz Channel Islands, Isle of Man and Scilly Isles)
10,001-10,999 Bank of England	79,101-79,999
11,001-11,999 Martins	
14,001-14,999 Coutts	
15,001-15,999 Glyn's	
16,001-16,999 Williams	
17,001-17,999 National	
20,001-29,999 Barclays	
30,001-39,999 Lloyds	
40,001-49,999 Midland	
50,001-59,999 National Provincial	
60,001-69,999 Westminster	
ENGLISH PROVINCIAL BANKS	IRISH BANKS
70,001-70,999 District	90,001-90,999 Bank of Ireland
71,001-71,999 Manchester & County Bank	91,001-91,999 Belfast Banking Company
72,001-72,999 Union Bank of Manchester	92,001-92,999 Hibernian Bank
73,001-73,999 Yorkshire Penny Bank	93,001-93,999 Munster & Leinster Bank
74,001-74,999 Sundry Provincial Banking Offices. (Approx. 10)	94,001-94,999 National Bank
	95,001-95,999 Northern Banking Co
	96,001-96,999 Provincial Bank of Ireland
	97,001-97,999 Royal Bank of Ireland
	98,001-98,999 Ulster Bank
	99,001-99,999 Sundry Irish Banks (Approx 3)

3 Figures = Town Clearing	101- 699
4 Figures = { Metropolitan Clearing	1,001- 6,999
{ Walks	7,001- 9,999
5 Figures = { Country Clearing	10,001-78,999
{ Banks in Islands adjacent to England	79,001-79,999
{ Offices in Ireland	90,001-99,999

The following five-figure numbers were originally planned to be at the disposal of the Scottish banks, and are given here in anticipation of their coming into the scheme—

SCOTTISH BANKS		SCOTTISH BANKS (<i>continued</i>)	
80,001-80,999	Bank of Scotland	85,001-85,999	North of Scotland Bank
81,001-81,999	British Linen Bank	86,001-86,999	Royal Bank of Scotland
82,001-82,999	Clydesdale Bank	87,001-87,999	Union Bank of Scotland
83,001-83,999	Commercial Bk of Scotland	88,001-88,999	Sundry Scotch Banks
84,001-84,999	National Bank of Scotland		(Approx 3)

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